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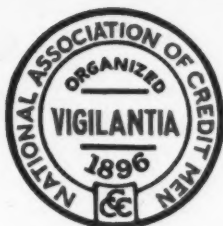
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THE

January, 1921

CREDIT MONTHLY

The National



Magazine of

BUSINESS FUNDAMENTALS

Hon. Calvin Coolidge

"The public is seeking in this era of deflation to put the burden of it upon the producer." See page 7 for the message to Credit Men from the Vice-President elect.

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and by

Frank A. Vanderlip

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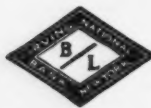
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THE CREDIT MONTHLY

A National Magazine of Business Fundamentals

Published at 41 Park Row, New York,

by the National Association of Credit Men

William Walker Orr, *Editor*

Rodman Gilder, *Managing Editor*

Vol. XXIII

JANUARY, 1921

No. 1

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See Our Agent in Your Community

Editorial Comment

A 1921 Dedication

THE qualities that are called into play in successful credit checking are to be given a new test in the year upon which we are entering.

The poise, courage, patience, sense of co-operation, the ever-present desire to bring out and strengthen in customers the qualities that will serve to carry them through hard places into safety must be exercised as never before.

Credit men in 1920 have been put into the hardest positions in the defensive and offensive line of business. Upon the wisdom of their decisions; upon faithfulness to the obligations imposed on them; upon their constancy of purpose the immediate safety of commerce depends.

Let us be intensely loyal in the coming year to the standards which the National Association of Credit Men has set up.

The Fire Next Door

“WE regret to note that one of our good members, the X. Y. Z. Manufacturing Company, suffered considerable fire damages to one of its warehouses, caused by engine sparks setting fire to rubbish in an adjoining yard.”

This paragraph, taken from the Buffalo association's monthly “Chat,” speaks of a condition that should be so severely penalized that it could hardly exist. Excessive supervision of private affairs will not be tolerated; but when a citizen or a group of them through carelessness or worse maintains a condition dangerous to the lives and property of those about them then there must be established supervision which carries power of correction. Such supervision will in rare instances be oppressive. Infrequently there will be a question as to what constitutes rubbish; but in such cases if reasonable attempt at order is made the fire danger will be so minimized that there will be no chance for oppression.

It is the earnest hope of the Association that one of the most active committees in local credit work during the coming year throughout the country will be the Committee on Fire Insurance and Prevention. Under their leadership and inspiration, effective clean-ups should be undertaken and carried through; or-

dinances adopted and their enforcement seen to for the reduction and elimination of fire hazards, and an honest effort made throughout the length of the land to see if something cannot really be done to get our great fire losses in hand in this year when we need to conserve every ounce of the world's capital. We

New Year Resolutions of THE CREDIT MONTHLY

To promote sound business ethics.

To serve those who follow the profession of Credit Man.

To focus the educational work of the National Association of Credit Men.

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RODMAN GILDER, *Managing Editor.*

must watch our properties; we must not permit them to fall prey to unnecessary fire; they must be conserved. This problem solved, many others will in natural course be solved along with it.

Do the Wholesale Grocers Prefer Net Term Customers?

THERE is an impression that the wholesale grocer prefers to do business with the retailer who is in the habit of paying his bills at maturity rather than the retailer who takes advantage of the discount.

In no line of business are discounts so insisted upon as in the wholesale grocery trade in their dealings with those from whom they buy; and it has been said that the wholesalers, in order to get the full advantage of this trade discount in their profits, are glad to have their customers buy on net terms instead of discount terms.

The National Wholesale Grocers Association is asking its members whether this is the general sentiment in the trade. It is hoped that the

questionnaire will bring a wide expression of views.

Mexico Looking Up

THE future of Mexico at the present time is brighter than at any period in a number of years. The population from peon to plantation owner is thoroughly sick of war and ready to buckle down to honest work under the presidential régime of General Alvaro Obregon.

The one weak spot at present in Mexican affairs is the lack of adequate banking facilities, but already private institutions are coming forward and presenting means by which the financing of shipments may be greatly assisted.

An editorial in a recent issue of the “Paint, Oil and Chemical Review,” titled “Mexico Again an Accredited Customer,” says: “The Foreign Commerce Department of the Chamber of Commerce of the United States reports great improvement in business conditions in Mexico. More than a hundred American firms have begun business in Mexico during the past two years. The principal hindrance to more rapid development is American failure to give reasonable credits. ‘The American houses which have been in Mexico a long time and have built up volume trade in that country, do give open accounts and 90 days, but the American house which is just beginning business there thinks that the Mexican house is weak and demands either cash in advance or cash upon receipt of shipping documents. The English, French and Spanish exporters give much better credit terms, and Germany is making a very strong effort to regain its trade in Mexico by giving most extraordinary terms. No American house will lose money in Mexico if it will follow the same system that it uses in its business in the United States, and will get a report from Dun and from its own agent in Mexico upon its customers, and then decide upon its line of credit.’ Chicago is geographically a logical initial point for Mexican purchases and the paint trade may well profit by the big general improvement in Mexican business conditions, always bearing in mind the necessity of special care in packing and shipping and a study of the needs of the tropical republic, which cannot be made in a day but will well repay investigation.”

What motor truck buyers want to know

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David S. Ludlum, *President*

THE CREDIT MONTHLY

VOL. XXIII

JANUARY, 1921

NO. 1

Deflation Burden on Producer

Public Refusing to Carry Out its Bargain
Cancellations Demoralize Everybody

A Message to Credit Men from

Calvin Coolidge

Governor of Massachusetts

Vice-President-Elect of the United States

THE greatest obstacle to continuing prosperity is uncertainty. Uncertainty is always caused by a lack of confidence. It is felt in every business in the land. If those who have incurred obligations fail to meet them, the result is disastrous. The public is seeking in this era of deflation to place the burden of it upon the producer by refusing to carry out its bargain. It is not always possible for a man to meet obligations. No one can complain of that. But there seems to be a great

tendency to avoid obligations that could be met with a result that is demoralizing to everybody. This is especially true in the matter of the cancellation of orders. If one person is allowed to cancel, it means that everyone must have the same advantage, which throws the entire trade in confusion and results in a great deal of loss, none of which would happen probably if such cancellation was not allowed. Under these conditions there must be of course a mutual adjustment.

Collections and Volume of Sales

First Returns from Questionnaire in Twelve Industries

Conducted by John Whyte, Ph. D.

Director of Research, National Association of Credit Men

A QUESTIONNAIRE to reveal the state of collections and the volume of sales of selected industries was sent out to a widely distributed list of representative business concerns. A summary of the answers given to the questions asked is presented here for the readers of THE CREDIT MONTHLY. The number of representatives responding varies greatly in the different industries. In some it is large enough to justify conclusions of fairly general application; in others it is too small to give a picture which can be interpreted as reflecting the industry as a whole. In the February issue of THE CREDIT MONTHLY there will appear a tabulated report on the basis of the replies given which will be supplemented by a large number of replies which arrive too late for inclusion in this summary. The answers to the question with regard to the charging of interest and with regard to the terms of sale will then also be given. The following questions were asked:

(1) What is the classification of your business? For example, wholesale shoes, wholesale groceries, etc.

(2) Have your collections fallen off? (Answer yes or no).

(3) If so, in what month in 1920 did you first note a falling off in collections?

(4) What has been the per cent. of increase or decrease of your sales (in dollars, not units) during July, August, September and October, 1920, compared with same months of 1919?

(5) How many days' sales did your past due customers' accounts average on October 31, 1919? October 31, 1920?

(Divide total sales for July to October by 120 days to get daily average sales. Then divide past due customers' accounts receivable as of October 31 by this daily average).

(6) What are your terms of sale?

(7) Do you charge interest on past due accounts?

THE WHOLESALE CLOTHING INDUSTRY

Eight representatives or 75 per cent of this industry report a falling off in collections, and four of twenty-five per cent report no falling off. Of the eight who report a falling off in collections:

1 Reports	.....April
1 Reports	.....June
1 Reports	.....August
2 Report	.....September
1 Reports	.....October
3 Report	.....November

(As the first month in which it was noted).

From the ten who report on sales seven or seventy per cent report an increase in sales, ranging from 12% to 61%, 30% being the average.

The figures of the three who report a decrease range from 25%, 26% and 33%, the average being 20%.

The figures for those who report past due customers' accounts are:	
1919	..... ¼ 10 ½ 20 2 10
1920	..... ½ 25 10 20 3 20

Summary

The picture that the wholesale clothing industry presents, on the basis of these replies, is a confused one. One thing is certain,—collections have slowed up exceptionally, particularly since September.

WHOLESALE COTTON GOODS COTTON CONVERTERS

Nine or seventy-five per cent of this industry report a falling off in collections, and three or twenty-five per cent report no falling off. Of the eight who report a falling off in collections:

1 Reports	.....April
1 Reports	.....May
1 Reports	.....July
3 Report	.....August
2 Report	.....October

(As the first month in which it was noted).

All twelve report decrease in sales for July to October, 1920, compared with the same months of 1919. The decrease ranges from 2% to 65%, 45% being the average, but 50% is the figure commonly reported.

Of those who report on the past due customers' accounts, the following figures are for:

1919	..... 30 0 0 3 0 3½ 0
1920	..... 37 15 20 18 15 5½ 20

Summary

The figures of the cotton goods industry show a tremendous dropping off of sales for July to October, 50% being the figure of greatest frequency. Collections have slowed up to a remarkable degree.

WHOLESALE DRY GOODS AND NOTIONS

Thirteen representatives or sixty-seven per cent of this trade report a falling off in collections; eight or thirty-three per cent, report no falling off in collections. Of the thirteen reporting a falling off in collections:

1 Reports	.....March
2 Report	.....June
3 Report	.....July
1 Reports	.....August
3 Report	.....September
2 Report	.....October
1 Reports	.....November

(As the first month in which it was noted).

Of the eighteen reporting on sales ten report a decrease, their figures being 1%, 10%, 10%, 46%, 30%, 60%, 7%, 6%, 6%, 10%, 15%. Five report increase, the figures being 6%, 7%, 6%, 50%, 9%. Two report the figures by months: one noting an increase for July and August but

neither increase nor decrease for September and October; the other reporting decreases for July of 12%, for August of 2%; for October of 30%, with an increase for September of 3%.

Of those reporting past due customers accounts the figures are:

1919	.. 45 4 29 8 15 18 25 2
1920	.. 60 3 27 8 18 25 26 5

Summary

The wholesale dry goods trade was affected in a marked degree by the depression. The sales show fairly marked declines, in some cases reaching a high percentage. Collections have been maintained with difficulty, a falling off being noted by a large majority of the representatives reporting. The figures on past due customers accounts are given by too few representatives to appear to justify an acceptable generalization.

THE WHOLESALE FURNITURE TRADE

There are only five reports from the furniture trade. All five report a falling off in collections:

1 Reports	.....May
2 Report	.....June
1 Reports	.....October
1 Reports	.....November

(As the first month in which it was noted). Four report on sales, one reporting an increase of 43%, the others a decrease of 6%, 10% and 43%.

Summary

On the basis of four or five replies a satisfactory generalization is impossible. If the replies given are typical the industry has experienced a marked decrease in both sales and collections.

THE WHOLESALE GROCERY INDUSTRY

Nine or sixty-four per cent of the representatives of this industry report a falling off of collections as against five or thirty-six per cent who report no falling off. Of the nine who report a falling off in collections:

1 Reports	.....August
4 Report	.....September
2 Report	.....October
2 Report	.....November

(As the first month in which it was noted).

Ten report on increase or decrease of sales. Five or fifty per cent of these ten report an increase of sales for the months of July to October. Three or thirty per cent report a decrease in sales for these months. One or ten per cent reports an increase of sales for the first two months but a decrease for the last two. One reports a decrease in August, an increase in September and a sharp decrease in October. The decreases noted range from 2% to 50%, the common figure being fairly low.

The figures for those who report past due customers accounts are:	
1919	..... 3¼ 4 10
1920	..... 3½ 4 8

Summary

The wholesale grocery industry was not affected by depression (as regards collections) until September. Sales were fairly well maintained until September and October. With one exception the decreases reported are low. The figures for past due customers accounts are in-

conclusive since they are based on too few replies.

THE WHOLESALE HARDWARE INDUSTRY

Four of fifty-seven per cent report a falling off in collections; three or forty-three per cent report no falling off in collections. The four reporting a falling off give June, July, September and October as the first months in which they noted it.

Four or fifty-seven per cent report an increase in sales, their figures being 9½%, 25%, 30% and 32%. Two report a decrease of sales, their figures being 3% and 13%. One reports an increase of 20% for July and August but a decrease of 5% for September and October.

Those reporting on past due customers accounts give the following figures:

1919	39	10	8	30	5	52	5
1920	40	10	8	45	8	61	3

Summary

The number reporting is too small to permit of generalizations for the industry at large. Sales seem, however, to have been fairly well maintained, but a slight falling off is probably in evidence in the later months. The figures for collections do not show any perceptible slowing up (based on the replies of those reporting this item).

THE JEWELRY INDUSTRY

Six representatives or sixty-seven per cent report a falling off in collections and three or thirty-three per cent report no falling off in collections. Of the six reporting a falling off in collections:

3 Report	.....	July
1 Reports	.....	August
1 Reports	.....	October
1 Reports	.....	November
(As the first month in which it was noted).		

All nine report a decrease in sales ranging from less than 1% to 60%, the average being 25%.

Only two answered the question with regard to past due customers' accounts.

1 reports	30 days in 1919 as against 19 days in 1920.
1 reports	6 days in 1919 as against 7 days in 1920.

Summary

The jewelry industry on the basis of these replies has felt the depression seriously. The tremendous decrease in sales is particularly noteworthy.

THE WHOLESALE LUMBER INDUSTRY

Eight representatives of the industry report on collections. Three or thirty-eight per cent report a falling off and five or sixty-two per cent report no falling off. The three reporting a falling off in collections give February, July and September as the first month in which it was noted.

Of those reporting on sales five or sixty-two per cent report decreases which range from 25% to 60%, the figures being 25%, 30%, 25%, 60%. Two or twenty-five per cent report an increase, the figures being 23% and 30%. One or thirteen per cent reports an increase of 14% for July and August but a decrease of 25% for September and of 10% for October.

Summary

Though collections in the wholesale lumber industry have been fairly well maintained, very large decreases in sales are shown by a majority of those reporting.

THE PAPER INDUSTRY, WHOLESALE PAPER MANUFACTURERS, PAPER JOBBERS

Of the twenty-one replies, eleven or

fifty-two per cent report a falling off in collections and ten or forty-eight per cent report no falling off in collections. Of the eleven reporting a falling off in collections:

1 Reports	.....	August
3 Reports	.....	September
4 Report	.....	October
3 Reports	.....	November
(As the first month in which it was noted).		

Eighteen report on the increase or decrease of sales. Seventeen of these report an increase and only one reports a decrease. The increase in sales varies from 1% to 60%, the average being 32%. The one manufacturer reporting a decrease for these four months reports less than a 1% decrease.

Two representatives used the month by month comparison. Their figures show a downward and may have some significance for the industry at large:

1 Reports	179%	increase for July
	60%	increase for August
	40%	increase for September
	8½%	decrease for October

1 Reports	179%	increase for July
	35%	increase for August
	66%	increase for September
	30%	increase for October

Summary

Collections in the paper trade have held up better than in many other trades, only fifty-two per cent reporting a decrease. The depression begins to be felt in collections in September and October. Sales this year from July to October in the paper industry are in great excess over those of last year, with a probable slowing up in the last two months. Conditions in the East are less good than in the Middle West and the West. Not one of the ten representatives who report no falling in collections is from the East.

THE PAINTS, OIL AND VARNISH INDUSTRY

Eleven representatives or sixty-one per cent of this industry report a falling off in collections as against seven or thirty-nine per cent who report no falling off in collections. Of the eleven reporting a falling off in collections:

1 Reports	.....	June
1 Reports	.....	August
5 Report	.....	September
2 Report	.....	October
2 Report	.....	November
(As the first month in which it was noted).		

Sixteen answered the question of increase or decrease of sales:

Eleven report increases in sales for the months of July to October ranging from 3 to 43%, with 10% as the common figure. Three report decreases, 2%, 3% and 30%. One reports increase for July and August with a decrease of 50% for October. One reports increase of 10% for July, August and September with a decrease of 31% for October.

Seven answered the question with regard to past due customers' accounts. Of these seven, two who report no falling off in collections report:

The figures for the five who report a falling off in collections are:					
1920	60	7¼	2	55	13
1919	45	4¾	1	40	8

Summary

The majority of the representatives report a falling off in collections. September is the first month most frequently noted. The large majority report an increase in sales from the month of July

to October. Somewhat significant as showing a downward trend of sales are the figures noted by two representatives for the last months. A fifty per cent slowing up in collections is noted by five, whereas two report a rather remarkable speeding up in collections. The trend, however, of both collections and sales is downward.

THE WHOLESALE PLUMBING SUPPLY INDUSTRY

Of the seven representatives reporting, two or less than thirty per cent report a falling off in collections. Five or more than seventy per cent report no falling off in collections. Of the two who report a falling off in collections:

1 Reports	.....	September
1 Reports	.....	October
(As the first month in which it was noted).		

All seven report an increase of sales over 1919, the increase varying from less than 1% to 50%. The increases are 5%, 1%, 3.3%, 40%, 50%.

Summary

The wholesale plumbing supply industry maintains collections (on the basis of seven reports) fairly well during the months in question. Sales for 1920 show in every instance an increase.

THE SHOE INDUSTRY

Twenty-seven or eighty-two per cent of this industry report a falling off in collections as against six or eighteen per cent who report no falling off in collections.

Of the twenty-seven who report a falling off in collections:

2 Report	.....	March
3 Report	.....	April
1 Reports	.....	May
6 Report	.....	June
5 Report	.....	July
2 Report	.....	August
2 Report	.....	September
4 Report	.....	October
1 Reports	.....	November
(As the first month in which it was noted).		

Twenty-seven or seventy-seven per cent report a decrease in sales. Seven or twenty-three per cent report no decrease in sales or no increase in sales. The twenty-four reporting a decrease in sales range from less than 1% to 66%, 30% being the average.

The record of those who report on past due customers' accounts is:

						1919								
32/3	27	67	26	14	29	4	10	7	2	10	71	5		
						1920								
191/6	26	89	33	26	14	5	20	15	6	15	92	6		
1919	.....					45	16		6		18			
1920	.....					33	21		5		15			

Summary

The shoe industry is among the first to feel the depression. As far back as March some manufacturers noted a falling off in collections. The decrease in sales this year has been tremendous. The collection of accounts has slowed up 50 to 100% in many cases.

Submitting to Cancellations

By E. S. Boteler

G. K. Sheridan & Co., New York

THE man who tamely submits to cancellations and repudiation of contracts is party to a conspiracy which works a great injury to those customers who honorably live up to their contracts.

Declining Retail Sales

THE course of retail trade for the next few months will be watched with the greatest of interest by business men throughout the country. The volume of retail trade provides a valuable index for business conditions. *The first evidence of business revival will be noted in retail sales.* The Federal Reserve has some interesting figures on the condition of retail trade in the twelve Federal Reserve districts. Net sales are compared month by month with the corresponding month of the previous year. The figures furnish an

interesting commentary on the present situation. In May, 1920, net sales were 31 per cent. above the sales in May, 1919; in June, 1920, 28 per cent. above June, 1919; in July, 1920, 21 per cent. above July, 1919; in August, 1920, 22 per cent. above August, 1919; in September, 1920, 14.5 per cent. above September, 1919. With one exception, each successive month reports a lower percentage of increase over the corresponding month of the previous year. A part of this increase in sales in 1920 over sales in 1919 is to

be accounted for by the higher prices prevailing in 1920. Figures for October and November are not yet available, but in all probability they will continue the downward trend. In support of this assumption, some interesting figures published by Montgomery Ward & Co. for November are now available. Though the sales for the first seven months of 1920 reveal an increase of 8.75 per cent. over the corresponding period of 1919, November sales for 1920 show a decrease of 22.69 per cent. as compared with Nov., 1919.

Condition of retail trade in the twelve Federal Reserve districts

(Percentage of increase)

Comparison of net sales with those of corresponding period previous year.																		
District and city.	Jan., 1920	Feb., 1920	Mar., 1920	Apr., 1920	May, 1920	June, 1920	July, 1920	Aug., 1920	Sept., 1920	Jan. 1, 1920, to close of—					July 1, 1920, to end of—			
										Feb., 1920	Mar., 1920	Apr., 1920	May, 1920	June, 1920	July, 1920	Aug., 1920	Sept., 1920	
District No. 1.																		
Boston.....	33.2	15.4	38.9	16.8	19.4	27.8	16.3	11.6	16.0	24.9	30.7	26.1	24.7	25.3	16.3	24.1	15.9	
Outside.....	43.5	36.1	29.4	26.0	25.5	28.5	27.2	9.1	14.7	41.6	36.4	33.1	30.5	30.0	27.2	18.1	16.9	
District.....	34.8	18.3	37.5	18.5	20.7	28.0	19.9	10.9	15.4	32.5	31.6	27.5	25.8	26.2	19.9	15.1	15.2	
District No. 2.																		
N. Y. City and	54.6	29.9	66.6	15.0	41.1	26.4	22.4	10.9	13.2	39.8	59.3	35.0	35.3	32.7	22.4	13.0	3.6	
Brooklyn.....			50.4	22.4	22.8	32.3	26.9	26.4	16.9		38.1	33.6	30.1	31.7	26.9	27.1	23.4	
Outside.....																		
District.....			64.8	15.8	35.4	28.4	24.4	15.9	3.6		57.0	34.9	33.7	33.8	24.4	17.5	10.2	
District No. 3.....	22.2	17.6	37.5	12.4	50.7	34.3	23.8	22.6	15.2	20.3	26.2	20.5	30.9	31.0	23.8	24.9	19.6	
District No. 4.....		26.6	45.5	18.4	31.3	31.5	29.9	25.7	24.6	36.0	38.3	33.6	32.1	34.6	29.9	27.3	25.9	
District No. 5.....		14.2	23.1	.9	11.0	21.4	15.7	20.9	7.5	5.3	12.1	8.8	9.3	11.4	15.7	21.1	14.1	
District No. 6.....			27.4	23.4	31.0	24.3	11.6	27.6	12.6		29.9	22.0	28.1	29.3	11.6	19.6	16.9	
District No. 7.....	48.2	51.7	65.2	33.3	49.7	59.6	41.2	33.2	28.6	50.7	57.4	43.6	49.6	58.7	41.2	29.6	35.5	
District No. 8.....								20.8	11.8							18.0	16.8	
District No. 9.....				17.0	4.3	11.8	11.6	8.8	.3			19.8	5.6	12.0	11.6			
District No. 10.....			24.6	19.6	10.9	12.9	14.1	9.9	7.8			26.9	24.9	21.2	17.9	14.1	14.2	11.1
District No. 11.....							25.9	25.6	12.4						25.9	25.2	20.9	
District No. 12.																		
Los Angeles.....	83.8	51.6	58.4	43.6	38.2	39.0	35.1	48.9	29.1	68.3	61.2	56.1	52.2	49.8	35.1	42.4	37.9	
San Francisco.....	53.5	26.9	35.4	28.5	40.9	23.6	21.0	18.6	10.4	58.9	39.7	36.6	37.6	35.3	21.0	19.6	17.3	
Oakland.....	41.4	27.4	31.0	14.9	17.1	15.2	16.9	15.3		34.8	32.3	27.9	25.6	23.8	16.9	14.7		
Sacramento.....	54.2	22.6	65.1	33.9	34.4	32.1	20.1	3.1		36.6	60.9	47.5	39.4	38.3	20.1	13.3		
Seattle.....	23.9	22.4	19.2	4.3	6.3	11.1	.2	18.0	14.5	23.0	21.8	16.2	13.9	13.4	.2	14.4	4.2	
Spokane.....	36.2	23.6	19.8	10.9	48.8	62.8	22.7	12.7		30.1	26.8	23.1	22.1	35.7	22.7	16.8		
Salt Lake City.....	23.8	11.5	10.5	7.1	20.4	18.3	20.6	11.6		18.1	15.1	12.8	16.4	14.7	20.6	16.1		
District.....	51.7	31.1	37.8	18.8	31.2	27.8	21.2	21.7	14.5	46.5	41.0	36.9	34.7	33.2	21.2	21.4	19.8	

† Decrease.

\$100,000,000 Corporation Organized for Foreign Trade

By F. D. Rock

Armour & Co., Chicago, Ill.
(By Telegraph to The Credit Monthly)

REPRESENTING the National Association of Credit Men, I attended the conference December 10 and 11 in Chicago, called by the American Bankers Association to organize a \$100,000,000 foreign trade financing corporation.

The conference brought from all sections of the country a most repre-

sentative group of bankers, manufacturers, merchants and producers, all apparently deeply impressed with the urgent need of definite action along such lines. From the keynote sounded by John McHugh, Senator Edge, Herbert Hoover and ex-Secretary Redfield down to the representative farmer from the West, the spirit of co-operation and co-ordination manifest the prompt and determined manner in which business was transacted. The general plan was formulated and the organization committee settled down to work. The pledging of \$100,000 underwriting expense seemed to presage the

ultimate success of the plan, and realization of all those present approved the thought expressed by Mr. Hoover, that if the plan materialized, then this will have been the most significant event in our history since the Armistice.

The Business Thinker

AN editorial in the *Sun*, New York, says: "What the architect is to the building, the general to the army, the leader to the orchestra, the coach to the football team, that same the business thinker and leader is to industry."

A Trip to Georgia

Observations on Conditions in Cotton Belt

By J. H. Tregoe

Secy.-Treas., National Association of Credit Men

VERY much interest is now centering around the staple, cotton, and these notes on my recent trip to Georgia will be confined to the cotton-growing section. Various complex causes and conditions must be reckoned with in order to interpret properly the economic condition in this section, and what this report presents reflects careful but necessarily brief study.

Collections and merchandising have been badly affected, producing distress and uncertainty to those whose credits are, in a large measure, or entirely, confined to the cotton-growing section of the South. Fundamentally, the staple must be reckoned with as one of the principal exports of the nation. Our own spindles cannot absorb more than one-half of the normal product, and markets for the balance must therefore be found abroad. Whenever exports are affected by industrial or political conditions there is usually a reaction on the prices of the staple.

To illustrate: At the outbreak of the war in 1914, when exports were temporarily interrupted, cotton went to phenomenally low prices, bringing very great distress upon the merchants and producers. Strange to say, the distress does not appear to have been so great as in the present situation. At the signing of the armistice in 1918, with a temporary interruption of buying and exports, prices also declined and caused a temporary suspension of business and collections. With the resumption of buying, after the signing of the armistice, and a general rise in prices, cotton was caught into the current and rose a number of points before the crop of 1918 had been dis-

posed of. High prices, together with an excellent crop in 1919, brought prosperity to the planter, the landowner and the merchant. I have not estimated, even approximately, the net profits of the crops of 1918 and 1919, but they are large; and the question arises how were they distributed. We are inclined to believe that a good portion was applied to the payment of mort-

in all, and it came upon the market when commodity prices were declining, when exchanges were in a disordered condition. There was a swift decline in its immediate market value. This decline was a shock to the grower and a very different experience from what he had expected. And there came into his soul, generally speaking, a sense of uneasiness which was later intensified into fear. I firmly believe that the growers are more badly frightened than hurt.

The cotton-growing section was much better prepared to suspend this *débâcle* in price than it would have been in 1919 and in 1918, and yet the distress is very great. You might be led to believe that the whole section was hurt beyond recovery. Probably one half of the crop remains unsold. Probably one third of the unsold portion will be needed for domestic spindles, and with the "distress cotton" having largely been disposed of and the remainder centered in firm hands, with corporations in process of organization for the purpose of financing exports, especially cotton, we are fain to believe that prices are more apt to advance than to decline further.

One of the principal evils of the cotton-growing sections is the tenant farmer. Very much more can be expected of land

when tilled by its owner. Very much more can be expected of the owners' tilling because of his direct interest in the nature and extent of the products of the land. The tenants in the cotton-growing section are too largely without financial basis, and have little to fall back upon in the event of the failure in crops or prices. Nothing is more badly needed than the development



J. H. TREGOE

Secy.-Treas., National Association of Credit Men

of homesteads owned and controlled by the people attached to the land and not subject to the whim of landlords.

In accord with the economic law that no commodity can be sold for very long at less than its cost of production (if our impressions are not confirmed and the prices of the staple do not rise), there will be very much less planting in 1921. Such an effect would have a dual reaction. A smaller crop would naturally tend to raise its prices above normal, and, with shortening, the crop might have beneficial economic effects on that section through a diversification of crops.

SLOWER COLLECTIONS

The merchants are feeling the situation very tensely because of slower sales and slower collections. In essentials sales have declined very heavily, and there are many appeals for accommodations. As a consequence of this condition a number of liquidations can be expected, and this is the situation where good sense and control of creditors can be expressed. There never should be undue haste or ill-considered action wherever disastrous signals are hung out by the retailer. His affairs should be carefully analyzed and support and further co-operation given him, if necessary; and where insolvency has happened, then co-operation should be exercised in every case. It would be well for creditors to know this situation, that accommodations based upon the desirability of holding cotton for higher prices must be carefully scrutinized. The reason for this is that when a commodity like cotton is held for higher prices, the immediate demands of the debtor will gradually absorb the value of the commodity until at its sale there is nothing whatsoever left for the older creditor. There should be a firm but constructive policy, even in the midst of this distress. I am convinced that the profits and savings of the prosperous years have made us fundamentally sound, and that we are merely passing through a period of recuperation.

Our associations of credit men at Atlanta, Augusta, Macon, Jacksonville and Tampa are well organized with bureaus adapted to the economic control of liquidation of embarrassed and insolvent states. It is gratifying to note the earnestness with which our members in these cities are performing their work and looking upon the situation. We do not find the least pessimism there. There prevails a sense of optimism and a firm belief in the abilities of the section to recover and revive.

The South's Basis of Credit

Prominent Atlanta Business Man and Planter Addresses Cincinnati Credit Men

By Charles J. Haden

FEW credit men of the North fully understand how closely the chief crop of the South determines its credit resources. In general, we have all known that cotton is the great staple of the South upon which her prosperity is founded, but how many know that its value has increased in forty years from three hundred million dollars to three billion dollars annually, that cotton is one-half of the value of southern products, and that there are over 1,600 varieties of cotton, though but three varieties used by the commercial world.

Cotton is thought of only as the cotton bloom, but the cotton stalk produces food and clothing. The seed makes our common variety of "olive" oil and cotton meal; and this meal, ground from the cotton seed, is worth twice as much as corn meal.

In the North we hear much of "frenzied finance," but in the South—well, the cotton planter secures a loan from the bank by a lien on a crop that is *not yet planted*. Bad as this sounds, it must be remembered that cotton is the most non-perishable product that comes from the soil. We have an instance where several bales were kept for forty-four years, and yet the cotton was not injured by time.

In Atlanta there is a warehouse for the storage of cotton that covers forty acres, and all over the South a system of warehousing and warehouses is being developed to aid the cotton planter. We think of New England as the center of the American cotton goods industry, yet one-half of the cotton, counted in bale units, is now put through southern spinning mills.

This year's cotton crop has been amazingly small, worth only \$2,500,000,000; yet this has been grown in the face of the migration of southern labor to the North and also in spite of the damage done by the boll weevil, which in Georgia destroyed nearly half a billion dollars' worth of property.

But the South is rich, and not only through its production of cotton. It has twice as much coal as all of Europe, and it is estimated that there remains 550,000,000,000 tons of unmined coal available. The South is

rich also in harbors, three-fifths of the ocean frontage of the United States being in the South. The South used ninety per cent of all the phosphorus in the United States, and has within her boundaries seven-tenths of the supply.

The southern states have framed their laws with reference to cotton. These laws tend to protect the cotton planter, for a collector sues in two courts to collect his account, first in an Appearance Court and then in the Superior Court. These are convened at separate terms, and in the meantime a cotton crop matures, so that the debtor may get in funds to pay.

SOUTHERN PECULIARITIES

It seems strange to northern credit men that, in view of the resources of the South, the southerner should be slow in paying his accounts. But it must be remembered that the southern nature is peculiar, has defects in the make-up which prevent the control of the entire cotton industry. For one thing, the southerner is extravagant; and to some extent this extravagance is caused by cotton itself, for his crop pours in a deluge of money at one time in the year. If the South acquired the thrift of the North and retained its own productivity, the cotton grower would soon have the world at his feet.

As to present conditions: The retail stocks of the South have been depleted, and are now light, but business demands are also light, with the outlook of a revival next fall. There is no large demand for any goods whatever in the southern states, and yet the South is good for anything which she may buy.

My message to credit men is, if you can sell to the South sell all you can, for the South is good for all she buys. She may be slow, but her obligations will be met.

Activity in Alexandria

Washington, D. C.—Carol Pierce, of the Citizens' National Bank, and J. Wm. May, of W. H. May & Son, Inc., both of Alexandria, Va., are actively interested directors of the Chamber of Commerce of Alexandria, which has published the first issue of a monthly bulletin entitled "Greater Alexandria, the Gateway of the South."

Referring to Commercial Agencies is Suspicious

Look Out for Those Who Won't Make Statements Direct

By C. D. West ("Zephon"*)

Manager, Investigation and Prosecution Department, National Association of Credit Men

A CREDIT man who had asked the Giltedge Integrity Corporation of Bayou City, a brand-new customer, for a financial statement not long ago, received this reply: "Gentlemen, In regards to your request for a statement, would say that we have just made a financial statement to the commercial agencies and beg to refer you to them for same. Very truly yours, Giltedge Integrity Corporation."

The credit man did not look upon this letter as a bright red flag suddenly displayed before his eyes, but that is really what it was.

He wrote the commercial agencies and got a copy of the statement showing a net worth of \$61,000. On the strength of this statement, the credit man passed an order and goods were shipped to Bayou City.

After a while it began to look as if the corporation either would not or could not pay for the merchandise. Before long the creditors forced the corporation into bankruptcy. Although there was \$58,000 worth of indebtedness, the two Syrians running the business protested, when the creditors filed a petition in bankruptcy, that the corporation was solvent. The creditors were persistent, however, and the Syrians finally admitted insolvency. The Investigation and Prosecution Department of the National Association of Credit Men was asked to take a hand, and as manager of the department I went to Bayou City and made an investigation.

I found that, prior to January, 1920, the two Syrians had put their heads together and concocted a financial statement showing a big net worth. They wrote to two mercantile agencies, December 27, for blanks; and on these blanks they made in round numbers the following statement:

THE FALSE STATEMENT

Assets—	
Merchandise	\$38,000
Real Estate	10,000
Accounts Receivable	6,000
Machinery	5,000
Fixtures	3,000
	<hr/>
	\$62,000

Liabilities—	
Owing for Merchandise	1,000

Net Worth\$61,000

The investigation showed that their true condition was as follows:

THE TRUE CONDITION

Assets—	
Merchandise	\$10,500
Real Estate	500
Accounts Receivable	0
Machinery (6 old Singer Sewing Machines)	150
Fixtures	691
	<hr/>
	11,841

Liabilities—	
Owing for Merchandise	12,500
Owing for money borrowed from relatives 5 yrs. before	4,500
Local bank loans of 8 mos. Standing	1,000
Owing others for borrowed money	2,859
	<hr/>
	\$20,000

Net deficit 9,018

This statement of actual condition is based on a confession on the part of one of the Syrians who broke down under the questions I asked him and gave the exact facts as to assets from the original inventory of January 2, 1920, as well as his liabilities. He had at the time of his confession, however, done away with all his books recording transactions prior to January 2.

In delving back into the antecedents of this outfit, I found many interesting things. One of these was that the head of the business was a "slacker" and generally known in his neighborhood to be one. A great deal of this information could have been developed by investigation on the part of the mercantile agencies, if such investigation had been made to verify the financial statement they had received from the corporation.

After the false statement as of January 2, 1920, they began placing orders. One partner went to New

York, and with a brother-in-law and father-in-law lived at an obscure address in Brooklyn, visited New York merchants and placed orders which netted the corporation about \$41,000 in merchandise. They had already managed to buy \$10,000 worth in other markets, including Baltimore, Los Angeles, St. Louis and San Francisco. It turned out later that all this credit had been extended simply on the strength of statements from mercantile agencies. When the partner got back to his home town, he told a lurid story of having been robbed of a large roll while he was sporting around in New York. This turned out to be entirely fictitious.

CASE NO. I *

Now these merchants were under the false impression—which impression is shared, I fear, by some credit men—that when a commercial crook pulls off a case like this, he has done nothing to violate little old section 215 of the Federal Penal Code relative to using the U. S. mail in a scheme to defraud. As a matter of fact, (1) it was held in one case that the defendant is guilty of the misuse of the mails where he gives a mercantile agency a false financial statement knowing that such false statement will be mailed by the agency to its clients. In another case in 1917, it was held that the defendant mailed a false financial statement to a commercial agency with knowledge of its falseness and that it would be used as a basis of the sale of goods to him on credit. Held, such proof was sufficient to warrant a finding that defendants' acts were in violation of criminal code.

The point is that the crook has transmitted a false statement through the United States mail in furtherance of a scheme to defraud and in the eyes of the law has made the mercantile agency an "agent innocently and in ignorance" in such

* Zephon is said to be the first detective in history and a trusted man in the court of the Ptolemies. The name has been used for many years as the telegraphic code designation of C. D. West, head of the Investigation Department of the National Association of Credit Men.

* Exact references to cases mentioned will be supplied by the National Office of the National Association of Credit Men.—THE EDITOR.

transmittance. There are several decisions along this line. In similar manner a crook may turn over a fraudulent draft to his local bank for collection. When the collection has been consummated the crook is held to be guilty of fraud. When he intrusted the draft to the bank, he made it his agent, although the bank was entirely innocent of fraud.

CASE NO. 2*.

One decision along this line said: "Complaint is made of the admission in evidence of letters of a bank transmitting by mail certain drafts and checks to other banks for collection and remittance. The drafts and checks had been received from the victims of the fraudulent scheme by those actively engaged in conducting it. The latter turned them over to the defendant, and he delivered them to a local bank for collection. The bank did not cash them, but accepted them for collection. Part of the scheme was to keep the victims quiescent until reports of payment were received. Collection of the drafts and checks were essential to the full consummation of the fraud, and the evidence of the defendant's guilty assistance was sufficient. When he intrusted them to the bank he made it his agent, although it was innocent of fraud. The drafts and checks were drawn on banks in distant cities. The custom among banks, almost invariably, is to forward such collection items by mail, with letters of transmittal, and the defendant must have known the local bank would follow the ordinary course in the absence of instructions to the contrary. *When the bank deposited the letters of transmittal in the mails, the defendant, in legal effect, caused them to do so.*"

In investigating this case, I located bills of lading of goods shipped by the corporation to other Syrians in three other southern states. Looking up the antecedents of these Syrians, I was greatly surprised to learn that the man who was the brains of the outfit had had a number of failures and had been arrested in the company of a notorious Rhode Island murderer, with no less than nine murders to his credit. This crowd had been in a store with a bad gang of commercial crooks at the time the gang was rounded up and sent to the Federal penitentiary several years before from New York City. At the time no evidence could be secured against these Syrians, and they were not held.

I learned also that the corporation had sacrificed merchandise to other merchants, who could buy goods from it at much lower prices than

from the regular markets of the country.

The moral of all this is, of course, that the credit man should have his suspicions aroused whenever a merchant declines to give a statement direct and refers to a commercial agency. He should realize that in most cases it is more than a mere discourtesy on the part of the merchant: that the merchant very likely thinks he is evading the law as to false statements when he avoids making a statement to the creditor *direct by mail*. Of course if he hands a false statement to the creditor in person he cannot be reached by the Federal law, but he can be reached by the false statement laws of the various states!

The particular case of the Gilt-edge Integrity Corporation is a most interesting one for the credit man to follow. The head of the corporation and his son were arrested in the latter part of October. The case is being tested out under statutes of one of the states which has adopted the model False Statement Act advocated by the National Association of Credit Men.

ADDRESSES WANTED

How many of these Addresses Can You Supply?

The credit man with a true spirit of co-operation reads the names of individuals whose addresses are unknown and sends along whatever information he has. It is the little courtesies easiest to render that are often the most appreciated.

Improper business methods are not imputed to any of the persons mentioned below. It is simply that their addresses are missing.

Anderson, Mrs. E. O., formerly conducted a millinery business in Greenville, Miss. Reported moved from that place to Hot Springs, Ark., and from there to Memphis, Tenn., where she was last heard of.

Antrobus, Lester, proprietor Mottoz Garage, Hardin, Ill.

Archambeault, R. V., electrician. Last heard of in Portland, Ore.

Bell, C. B., former proprietor of the Star Garage, Seymour, Ia.

Burch, Samuel Thornton, formerly of 4405 Walnut St., Philadelphia. May be in Detroit.

Burt, H. P., former manager of the Joplin Auto Radiator Repair Co., 113 Main St., Joplin, Mo.

Davis, Neil H., formerly of Frankfort, N. Y. Probably now in New York City.

Dixon, J. E., formerly proprietor of Dixon's Bicycle Store, Dublin, Ga. Left there presumably for New York City.

Donohue, J., previously a manufacturer of electric signs, 430 W. 125th St., New York City.

Duncan, H. S., formerly operating garage at Reserve, Kans.

Eagan Notion Co., formerly Fowler, Ind.

Elbertz, F., formerly 1115 W. Mulberry St., Kokomo, Ind.

Fawcett, F. R., formerly located at Cherryville, Kans.

Feinberg, H., previously located at Lawtly, Fla.

Gooall, Tom, formerly conducting a

barber shop at 1932 Federal St., Philadelphia, Pa.

Groch, Frank, until recently was manager for the Grodwards Co., Cobalt, Canada. Believed to be in the United States.

Harlan, C. N., formerly trading as Kent & Harlan, shoemakers, Woodriver, Ill. Described as 36 to 39 years, about 5 ft. 10 in. in height, sandy complexion, weighs 170 pounds. Is an American and a slow talker.

Kipton, M. J., formerly located at 219 So. Dearborn St., Chicago, Ill. Was also at 258 Washington St., Boston, Mass.

Leiding & Pruser, recently doing business at Ocean and First Aves., Asbury Park, N. J.

O'Day, C. N., formerly located at Kingsport, Tenn.

Poole, J. E., probably a blacksmith or conducted machine shop at Greer, S. C.

Reese, L. C., salesman, formerly at 30 Ferguson St., Atlanta, Ga.

Reeves, H., formerly residing at 263 Dix Ave., Detroit, Mich.

Reynolds, Geo. C., formerly employed in the Purchasing Department of the Carolina Shipbuilding Corporation, Wilmington, N. C. Last known address 305 No. Main St., Monticello, Ind.

Richter, Albert, formerly of 1153 Roach Ave., Indianapolis, Ind.

Scott, Roy O., formerly operating a garage at Darlington, Mo.

Simpson, R. Warfield, formerly of Jacksonville, Fla.

Smentkoski, E., painting contractor, formerly at 5820 No. 20th St., St. Louis, Mo. Now believed to be in Tulsa, Okla.

Symonds, M., Preston, Okla.

Thompson, Mrs. Cora, formerly located at Woodville, W. Va.

Vineyard, J. E., successor to H. P. Burt, listed above as manager of the Joplin Auto Radiator Repair Co., Joplin, Mo.

Winsell, William, formerly operating the Mission Garage, San Juan, Cal.

Woodman Furniture Co., 142 Graham Ave., Brooklyn, N. Y.

Helpful Meetings

Waterloo.—The Waterloo, Iowa, Association of Credit Men resumed its regular monthly meetings with a dinner at the Hotel Russell-Lamson. The speaker of the evening was C. E. Herring, assistant director of the Bureau of Foreign and Domestic Commerce, of Washington. Mr. Herring has spent most of his time abroad since the signing of the armistice. For many months he was Trade Commissioner in Brussels and he also spent considerable time in France, Italy, England, Austria and Germany in connection with his work for the Department of Commerce.

Mr. Herring's talk covered a wide range and as the guests were privileged to cross-examine him at the conclusion of his more formal talk, a very great deal of first hand information as to the conditions in Europe was secured by the members of the association and their guests. The executives and sales-managers were invited to attend the meeting.

The association will continue with regular monthly meetings, generally preceded by a dinner. Owing to existing credit conditions, at the next meeting each representative has been charged with the duty of going over his accounts, making up comparative statements, gleaning as much as possible from the sales force as to conditions in the field, and to report fully to this meeting. Each man will be called on for a statement of actual conditions as he sees them and suggestions as to how best to handle credits at this time.

*See note on previous page.

The Price of Farm Products

Agitation Before Congress

By R. Preston Shealey

Washington Correspondent of THE CREDIT MONTHLY

THAT "there is too much government in business and too little business in government," most business men will agree; but if one should judge from the avalanche of bills thrown into the Congressional hopper in December, aiming to help the farmers and protect them against the decline in prices of their products, it would appear that many Congressmen are of the contrary opinion. All kinds of measures bearing the name of some congressman or senator have been introduced. They include measures for the reestablishment of the War Finance Corporation, for amending the Farm Loan Act, for taxing importation of farm products, for prohibiting the importation of farm products for a year, for directing Federal Trade Commission to investigate certain phases of the situation, for authorizing the Federal Reserve Board to arrange for extension of credits to farmers, and for various other methods.

Among the farmer measures most actively pressed have been the packers bill, so called, a revival of the War Finance Corporation, and rural credits, the latter being loans to farmers on personal credits. The short session allows, however, but little latitude to get measures through Congress and especially such important measures as these, and it is a safe guess that most of the measures will have to go over for consideration to the special session. One might go further and say that if the farmer waits until the not distant future when the purchasing power of his dollar will be just as great as it ever was by the decline in the prices of those things that he has to buy as well as those things he has to sell, the hue and cry for much of this legislation will have greatly lessened.

There is, however, a thread running through recent speeches of government officials, bankers as well as congressman, which is reflected in Congressional bills and statements, to the effect that it may be necessary to provide some sort of long time credit in connection with the cattle situation because cattle do not mature in the same short space of time as do crops and therefore the

farmers' turnover is very much longer and should be cared for. Something may be done along this line in the way of extending the jurisdiction of Federal farm loan banks, but here again the situation is still mixed because the suits attacking the validity of some of the clauses of this Act have not yet been decided by the Supreme Court of the United States.

The general tendency among thoughtful leaders in Congress seems to be to go slow in handling these measures, and while every effort will undoubtedly be made to correct whatever faults exist, such corrective measures will in all probability go over until the special session, despite the fact that pressure from the farmers and others for all kinds of legislation is strong.

H. C. Marshall, of the Bureau of Markets of the Department of Agriculture, summarizing the factors underlying declines in agricultural products, has said to the writer:

"During the course of the world war prices in the United States and other countries remaining on a gold basis, rose to a height about two and one-half times as great as the range of prices immediately preceding the outbreak of the war. This increase was principally due to increase of gold in the United States received from the European countries at war, in which enormous amounts of paper money were issued, this paper money displacing the gold previously in circulation. In a period of one year, the United States imported gold to the amount of approximately one billion dollars, and changes in the banking laws virtually released fully five hundred millions by lowering the reserve requirements. If there had been no change in the amount of business transacted in the United States during this period, it is probable that prices would have risen a great deal higher.

"Another thing which was important in bringing about the high prices during the war period was the great expansion of bank credits in the United States, partly due to the change in the reserve requirements and partly due to the enormous issues of Government bonds

that could be used as security for obtaining bank credit. However, the expansion of bank credits has practically ceased within recent months, and, in fact, a further expansion would not have been possible, since the expansion had reduced the percentage of reserve held by the Reserve banks to the legal limit. During the war period, large quantities of wool, hides, meats and wheat were accumulated in Australia, New Zealand, Argentina, and other remote regions because of lack of shipping. With the increase of available shipping after the close of the war, these accumulated supplies, of course, appeared upon the world market. Combined with increased supplies from foreign countries, there are unusually large American crops, the crops of corn and sweet potatoes being the largest on record, and those of oats, potatoes and apples above the five-year average, while the crop of wheat is considerably larger than an average crop of the period before the war.

"With this increased supply, the demand is much less than prior to the war period, particularly the demand of the central European countries for such products as wool and cotton. While the cotton crop is expected not to exceed the average crop of the years of the war period, there is much disappointment in the expected demand from European countries, and accordingly, prices have declined. The wool market has suffered both from the largely increased supply, the accumulation of several years in remote producing regions, and from diminished demand. The very large increase in the world supply is perhaps the most important factor in the extreme decline in the prices of meats. There has been a very large increased production of live stock in the United States in recent years, which increase most fortunate in enabling this country to supply the needs of Europe during the world war."

Expert Talks on Statements

Syracuse.—The November meeting of the Syracuse association was under the direction of the Education Committee. The speaker was David Golieb, of Einstein, Wolff & Co., New York, Chairman of the Education Committee of the National Association. He spoke on the "Interpretation of the Financial Statement as Reflected in Present Day Conditions." He took up the statement in detail, showing the value of each item and its bearing on the whole, and brought in many illustrations out of his own experience in the study of statements. Mr. Golieb also gave a description of the workings of the Federal Reserve Bank System, contrasting it with the banking system which operated prior to the passage of the Federal Reserve Act.

Credit Clubs in Small Cities

Credit Men Can Now Be Non-Resident Members of Nearby Associations

By Arnold A. Mowbray

Mgr., National Membership Dept., National Association of Credit Men

IF the reports received from our affiliated organizations throughout the country can be accepted as truly indicating the progress being made by their respective membership committees, the program of the National Association of Credit Men "to have and to hold 36,000 members" by May 31, 1921, should be successful.

According to scores of letters received to date, virtually every organization is going to do its utmost to attain its goal. Only one association thus far has expressed doubt regarding its ability to reach its mark. Some of the branches have already gone over the top; others are making rapid strides; and those not actually obtaining new members have formulated constructive programs that should bear fruitful results.

The very latest innovation to be introduced by the National Membership Committee is the inauguration of a program to establish a chain of Credit Clubs throughout the country in cities that are not yet ready to maintain an affiliated organization with its own headquarters and a paid secretary. This plan, which has the endorsement of Secretary-Treasurer

Tregoe, is being brought to the attention of credit men by National Chairman R. W. Touzeau of the National Membership Committee.

Realizing that there are credit grantors in many small cities desiring the advantages to be derived through co-operation but who are not in a position to maintain a local association, the National Membership Committee is encouraging the organization of credit clubs. These new divisions are to be linked up with the nearest affiliated association. The members of these clubs can pay



OSCAR H. MERTZ
Union National Bank, Newark

Out-of-town members are always welcome at the meetings of the affiliated association. After the credit club has grown to such an extent as to be able to support an organization of its own application can be made for the establishment of a regular affiliated branch of the National Association. The members of these credit clubs are to be given the privileges of the various bureaus at a moderate cost.

Representatives of the National Association have been explaining the above plan in several localities and the idea is meeting with quick response. Officers of our affiliated organizations are urged to explain this proposal in nearby cities which do not maintain organizations of credit men. Complete details may be obtained by writing to either Chairman Touzeau or the National office.

ACTIVITY IN THE SOUTH

Returning from a recent trip to Charlotte, N. C., Augusta, Jacksonville, Atlanta and Macon, we are happy to report that our organizations in North Carolina, Florida and Georgia are in a healthy condition and are expanding. Officers of the



SAMUEL C. OSBORN,
S. C. Osborn & Co., Chicago

their dues either to the organization nearest them or direct to the National Association. This idea has been presented to the officers of several associations who are enthusiastic over the plan. They are willing to allow the members of these credit clubs to become non-resident members of their organizations and are willing to grant them a lower membership fee than their regular resident members remit. When the credit club meets the president and a visiting delegation from the nearby association will attend the session and participate in the discussion.



E. H. DAVIS,
Reinhard Bros. Co., Inc., Minneapolis



H. E. GILBERT,
The Ohio Buick Co., Cleveland

National Association delivered addresses before large gatherings at Charlotte, Jacksonville, Atlanta and Macon. The chairmen of the membership committees in the above cities are determined to do their best in the present effort to obtain and retain members. Following the public meeting called in Charlotte twelve new applications were received.

The Membership Meteor is the title of the little miniature magazine issued by the National Membership Committee for the information of presidents, secretaries and chairmen of membership committees throughout the country. This paper carries timely information, suggestions and

tabulated reports for the benefit of those in charge of the membership work in our respective organizations, set forth in greater detail than is possible in *THE CREDIT MONTHLY*, which is of course the official magazine of our body. It takes the place of the old tabulated membership report which consisted merely of statistics. The contributing editors comprise the members of the National Membership Committee.

Although some people persist in trying to make others believe that the sun will never shine again on the business man, we are glad to report that the majority of our members are realizing that now is the imperative time to take advantage of the facilities of our various bureaus. We are losing comparatively few mem-

defraud their creditors, according to our Investigation and Prosecution Department, which is maintaining a close watch on the activities of certain persons.

MEMBERSHIP ACTIVITIES

Chairman Touzeau has recently issued copies of a timely leaflet which is being used by the Cleveland Association of Credit Men. F. W. Smith is chairman of the membership committee of the Cleveland Association and is working in close co-operation with Mr. Touzeau. Mr. Smith tells how chairmen of membership committees can obtain lists of prospective members.

E. T. Holland, chairman of the membership committee of the New York Credit Men's Association, reports that his workers are going to make a determined effort to hold their present members and to obtain new ones. The New York Association plans to enlarge its present official bulletin. E. S. Boteler, former president of the New York body, contributed a timely editorial to *The Membership Meteor*. He is now Chairman of the National Advisory Council.

J. F. O'Keefe, secretary of the Chicago Association of Credit Men, writes us that that organization intends to maintain the standard of service which has already been established in connection with its relations with the National office and particularly with the membership activities. He states that S. C. Osborn, who is in direct charge of the membership campaign, has many valuable ideas and the officers expect real progress as a result of his work. Mr. Osborn has issued some unique



J. VICTOR DAY,
Smith, Patterson Co., Boston.

bers considering the state of mind in the commercial world to-day.

Never before was there a more opportune time to launch movements to increase our membership. Now is the time when every business man is worrying about the accounts on his books. Many men who were rated high yesterday are not regarded as good risks today. Some men who paid their bills promptly when more money was in circulation are using every possible excuse to delay payments today. Men who formerly were professional swindlers found it easier to make good money honestly during the war than to operate at their usual "vocations." Some men who earned a reputation for prompt payments during the so-called prosperous period today need close watching. There are a few dishonest traders who are making plans to



A. C. MILLS,
Kemle & Mills, Pittsburgh



A. T. RICKARDS,
H. K. Mulford Co., Philadelphia

publicity literature, copies of which have been sent to the presidents, secretaries and chairmen of membership committees throughout the country.

L. E. Deeley, chairman of the membership committee of the Detroit Association of Credit Men, has issued a leaflet entitled "21 Reasons Why!!!" It tells why manufacturers, wholesalers and bankers should join. The purposes of the association are also outlined.

A similar leaflet has also been distributed by the Memphis Association of Credit Men. This organization is noted for its attractive publicity circulars. Its pamphlets attracted much favorable comment last year also.

A. C. Mills, chairman of the membership committee of the Pittsburgh Association of Credit Men, writes that he has organized teams of three men each. The team securing the greatest number of members will receive first prize and there will also be a second and third prize as well as two prizes for anyone not on a team securing the largest number of applications. His committee holds frequent meetings and combines pleasure with its membership work.

The Philadelphia Association of Credit Men has accepted a challenge issued by the Pittsburgh organization to see which body gets the largest number of applications. The credit men in the Quaker City are determined to get the greater number of new members in the State of Pennsylvania.

F. B. Rose, secretary of the Kansas City Association of Credit Men, writes us that the membership committee "will make a proper record." The members of the committee held a meeting on December 7 when a program was outlined. They are determined to "show" those from Missouri why they should belong.

A. C. Jones, chairman of the membership committee of the Los Angeles Credit Men's Association, has issued a dignified appeal to prospects. It is printed in the form of an invitation and reads: "The Executive Committee of the Los Angeles Credit Men's Association takes pleasure in informing you that a membership in the association has been set aside for your acceptance. Within a few days one of our membership committee will call upon you to receive your application." This organization has also issued a leaflet entitled: "Ten valid reasons why you should become a member," which is the product of Edgar L. Ide, secretary of that body.

G. H. Baker, of the Knoxville Association of Credit Men, reports that the membership committee was well organized at its first meeting and the members are making a steady drive. So far, they have been able to pre-

sent some new members at every meeting.

The Huntington Association of Credit Men informs us that it will make every possible effort to increase its membership, although the field has been quite well canvassed and there are but few firms that are not already in the organization.

Irving F. Hoyt, chairman of the membership committee of the Rochester Association of Credit Men, states that his committee is divided into teams of two members each who work two hours each month soliciting new members. Mr. Hoyt and other workers will devote additional time to this task.

Frank V. Blakely, manager of the Grand Rapids Credit Men's Association, reports an increase of eighteen new members during the month of November. He is confident that the organization will have a goodly number in excess of the quota assigned. Charles Holden has recently been appointed chairman of the membership committee to succeed J. H. Collins, who resigned because of his inability to give the necessary time to the work.

R. Preston Shealey, secretary of the Washington Association of Credit Men, reports the addition of several new names to the membership rolls.

T. M. Nesbitt writes us that the Birmingham Association of Credit Men has already exceeded its allotted number and hopes to obtain several additional new members.

The Buffalo Association of Credit Men staged a model credit exhibit on December 9, 10 and 11, when several applications were received. The Boosters Club plans to reach its quota as soon as possible so that new members may have the advantage of the season's activities. C. S. Cook is chairman of the membership committee.

Arthur Turnquist, of Jamestown, N. Y., is making strenuous efforts to form a Credit Club in that city. Mr. Turnquist has been devoting much time to the work of securing new members in his city. He is credit manager of the Art Metal Construction Company and is one of our State Councillors.

W. L. Hull, of the Decatur Association of Credit Men, reports that he hopes to have a membership of fifty persons in the near future. This organization started recently with twenty-eight members.

An official bulletin is now being issued by the Providence Association of Credit Men. A. B. Comstock, chairman of the membership committee, is determined that that organization shall not rest on the laurels won last year.

Every possible effort will be made by the Newark Association of Credit Men to obtain its quota of new members, reports Oscar H. Merz, chairman of the membership committee.

Literature obtained from the National offices is now being distributed by R. B. Roantree, chairman of the membership committee of the Syracuse Association of Credit Men.

A newly organized publicity committee is doing much to help W. Howard Duncan, chairman of the membership committee of the Baltimore Association of Credit Men.

Reports received from the Boston Association of Credit Men indicate that the committee will reach its goal of 1,100 by May 31.

Of course, the San Francisco Association of Credit Men is very much excited this year over the prospects of the annual convention being held there. The membership committee expects to make a startling report.

National Chairman Touzeau is devoting much of his personal time to the work of the National Membership Committee. He supervises the activities of the National Membership Committee. At the present time he is writing short, timely messages to his fellow committeemen who are: A. B. Comstock, E. T. Holland, W. Howard Duncan, H. E. Gilbert, O. F. Schultz, J. S. Covert, H. D. Carter, E. L. Davis, F. G. Margowski, C. C. Beck, A. T. Rickards and Oscar H. Merz.

Doubtful Insurance

NO man wants to insure through an organization if, in case of loss, he has to sue the organization for damages and then find that he must look to his fellow policy holders for the payment of the loss.

Several hundred policy holders of an Illinois automobile exchange, a reciprocal institution, are facing court suits for damages as result of judgment obtained by one of the policy holders who had insured his automobile and suffered its loss by fire. The exchange declined to pay the loss, the aggrieved party sued and the counsel for the exchange took the ground that judgment could not be had against it because it was not a corporation and could not be sued as an exchange. The court rendered judgment and in the ruling specified that the policy holders were liable for the total amount of damages and stated how the loss must be prorated among them.

This incident has two lessons: (1) That in taking out a policy with an exchange, it is especially necessary to know the character and ability of the managers; and (2) that in becoming a policy holder, one may also become a party to a suit for damages as a policy holder.

A Substitute for the Excess Profits Tax

Address, December 14, Before Congressional Committee on Ways and Means

By Roy G. Elliott

Chairman Committee on Federal Taxation National Association of Credit Men

I HAPPEN to be the Chairman of the Committee on Federal Taxation of the National Association of Credit Men, a national organization of more than 33,000 manufacturers, wholesalers, banks and financial institutions in all parts of the country. Our interest in taxation lies not only in the fact that we are 33,000 taxpayers. Every day, as credit men, we must analyze the financial condition of numerous business units, business units that today are affected unequally by the present system of taxation. In order to grant credit in such a way as to best serve the business interests of the country, we are interested in obtaining tax legislation that will treat business units in a uniform, equitable manner.

We recommend, therefore, the repeal of the excess profits tax, in which, I am informed, a number of the members of this Committee agree, and I, therefore, do not contemplate taking your time with a long discussion of our reasons. It might, however, be appropriate to mention briefly just a few of the more important reasons that call for its repeal:

1. It discriminates against business of a hazardous character and in favor of business of a stable character by defining the profits above eight per cent as excess profits.

2. It discriminates against conservatively organized and capitalized business in favor of business loosely capitalized.

3. It discriminates between corporations on the one hand and partnerships and individuals on the other hand by virtue of its being a tax on corporations only.

4. It discriminates against the small shareholder whom it penalizes severely in violation of the ability to pay, by virtue of its being a tax on corporations as such.

These discriminations affect business enterprises in different lines, competing enterprises in the same lines, individuals in the same and different lines of business, and, finally, individuals in the same business, and any tax which so discriminates, I believe every one is willing to agree should be repealed.

As our Committee conceives it, what we need now, more than anything else, is a permanent principle

of taxation. There will come a time when there will be a fluctuation in the necessities for governmental revenue, and we feel that at that time it should not be necessary to revise entirely our taxation system. It should not be necessary to write an entirely new tax law to try out some other principle of taxation; but if we can arrive at this time at a fair, sound basis of taxation, the fluctuating revenue requirements of the Government will make necessary nothing more nor less than a change in rates, and will relieve us of the necessity of familiarizing ourselves with an entirely new law and volumes and volumes of regulations.

The excess profits tax which we are all so well agreed should be repealed has in a very rough way, but still in a measure, equalized the tax between individuals carrying on business in sole proprietorship and as members of partnerships on the one hand, and individuals carrying on business in corporate form on the other. As you are well aware, the partner and the sole trader pay individual income taxes and surtaxes upon all the earnings of the business, whether they are distributed or not, while business in corporate form (the shareholders) pay individual taxes only on that part of the earnings which is distributed to them in dividends. Therefore, if the excess profits tax is removed, all of the influence of equalization that it has exerted with respect to that inequality that I have spoken of will be removed. And you will have a tremendous benefit accruing to business in corporate form all out of proportion, and shareholders will pay taxes all out of proportion to that paid by a man in similar circumstances and enjoying the same measure of prosperity, doing business as a member of a partnership or as a sole trader. The inequality existing in this respect applies only to the net income of the corporation which is saved and reinvested, or, in other words, undistributed. It is not possible to tax that undistributed income to the individual. It is not

permitted under the decisions of the Supreme Court in the stock-dividend case, and there would be physical limitations to doing it as well.

The committee with which I have been associated have had one principal thing in mind throughout their studies of this subject, that is, equality of distribution of the tax burden among the individuals of the country, holding up as the mark to be striven for that each individual enjoying the same measure of prosperity should pay the same amount of tax.

I take it that the Congress will continue the taxation of income under the progressive income tax principle. It is probably the most fair and equitable method of raising governmental revenue, providing always that ability to pay is considered as resting with the individual, and that where ability to pay is recognized it must be the individual's ability to pay, and that taxes should not be imposed on the individuals of the country en masse wherever it is possible to avoid that method.

This inequity which exists between the sole trader and the partner on the one hand and the corporation shareholder on the other hand, can be solved in one of three ways.

First, the total exemption from income taxes of all saved income.

As applied to the individual or a partner, that means that he should only pay income taxes on that part of the earnings of his business which he withdrew from business. Then, in that case, he would be in identically the same position as the corporation shareholder who pays his income tax only on that portion of the earnings of the business which are withdrawn from the business; but quite a large percentage of the total net income of the country is reinvested in industry, and the cut in revenue caused by a provision of that sort would be very extreme, and it is not felt that the revenue requirements of the Government at this time would permit of exemption of so large a portion of the country's income.

The second method: Just as long as you do tax the undistributed partnership earnings, as you are doing now, a compensating tax must be placed on the undistributed corporate earnings which correspond; a tax must be placed there which will as nearly as possible equalize the individual shareholder with the individual partner, when they enjoy the same measure of prosperity.

The third method probably would be a combination of the two. The present higher brackets of the individual income tax unquestionably are defeating their own ends. Dr. Adams has stated that the number of tax-payers enjoying taxable incomes of more than three hundred thousand dollars a year had decreased by more than fifty per cent, and the taxable income involved in that group had decreased more than sixty-six per cent, which shows that the higher brackets of the personal income tax are rapidly becoming unproductive.

Probably the solution should be the reduction of the higher brackets of the sur-tax. That will reduce the burden of tax on the saved income of the partner and the sole trader; then place a tax on the saved income of the corporate shareholder at graduated rates which will as nearly as possible equalize with the individual sur-taxes.

Of course, it is inconceivable that this tax would reach the present rate of the individual sur-tax, and, if it did, it would be very inequitable, particularly to the smaller shareholder. But it should be placed at a point where, from the standpoint of revenue, it would be comparable, and where it would produce the greatest measure of equality of distribution of the burden of the tax.

There is another point that I want to suggest, and that is the corporation income tax. The corporation income tax is simply the principle of withholding at the source. The corporation pays on behalf of its stockholders the normal tax; then, when it distributes its income those individuals are free from the normal tax. That is the principle, withholding at the source, which was adopted in the 1913 law, with respect to interest, rent, wages, salaries, but it was discarded on all those forms of income so withheld at the source in 1916 except on dividends. That principle of withholding at the source was discarded with respect to all forms of income except dividends and, of course, the other partial exception of tax-free covenant bonds. Why it was retained with respect to dividends no one has been

able to satisfactorily explain. It occurs to me that each individual should pay his own tax, and that withholding at the source should cease in favor of information at the source, the same as we do with respect to wages, rents and salaries.

I might suggest this as a concrete proposition: *The corporate income tax as such should cease, and dividends in the hands of the shareholders should be subject to the normal income tax as well as sur-taxes (they are now subject to sur-taxes and free from normal taxes), and a graduated tax at rates comparable with the normal and sur-tax rates paid by individuals and partners (on the earnings of their business which are reinvested or remain undistributed) should be paid by corporations upon the current net income not distributed in dividends or made subject in the hands of the shareholders to the individual income taxes. Simply that each individual, in so far as possible, should pay his own taxes and on that part of the earnings of his investment which he did not receive and on which he did not pay his income tax—on that portion the corporation should pay in his behalf a rate comparable to the taxes paid by the partner enjoying the same measure of prosperity.*

Now, with that provision there should be an option which would permit corporation shareholders to elect to pay taxes as partners do, or just the same as partners pay, on all the earnings of the business whether distributed or not, and when they so elected the corporation of course would not be subject to the undistributed earnings tax, because in that way absolute equity for each shareholder would be obtained. Each shareholder would be paying then the same tax exactly as an individual or partner enjoying the same measure of prosperity. That would mean absolute equity for all that large class of individuals engaged in business in corporate form, in corporations which are closely held, and it is safe to say that that volume is by far the major portion of the country's business. Such a plan would mean absolute equity for all of the shareholders in the smaller business units, and it would mean substantial equity for all shareholders in business or all investors.

Now, just to summarize: I want to drive these points home. The individual should be the unit for the application of income taxation, because the individual is the only unit where ability to pay can be recognized, and, further, let him pay his own tax just as far as it is possible to do so; instead of having it with-

held in his behalf at the source, let him pay his own tax, because then he pays his just proportion. There is no reason to my mind why we should continue to use the corporations of the country as collection agencies. And that is just what we are doing when we have the corporations pay an excess profits tax and when we have the corporations pay the normal income tax on behalf of their stockholders. Under those circumstances, taking the case of that large mass of smaller stockholders deriving income from corporate investment,—in the first place, if the corporation pays in their behalf, they lose the benefit of their personal exemption to which under the law they are entitled; they lose the benefit of the half rate on the first four thousand over the exemption. That inequity exists until incomes of considerable size are reached, while, if the tax is applied directly to the individual, these inequities disappear. Now, this tax on the saved income of the corporation could be based on the percentage of the total current net income remaining undistributed. It would not apply to any income paid out in dividends because the individuals pay their own tax on that. It would apply only to that which, by reason of being undistributed, was made free from an individual income tax. That method of computation would do away with the vexations problem of determining invested capital which has caused so much trouble.

Now, the next point: *Tax all the income of the country once and only once.*

These undistributed earnings on which we have applied the tax comparable to the individual's normal and sur-taxes, if later distributed, should be distributed to the individual shareholders free from tax. They have already paid their tax. If they are later paid out in dividends they should be free from tax. Provisions, of course, can be thrown around that just as we have them in the present law considering dividends as paid from the most recent earnings, which would prevent evasion under that provision.

Affiliate!

Cleveland.—Roger W. Babson in a letter to his clients says, "We advise affiliation with the trade associations in your field. Co-operative competition will advance your whole industry. See that your credit representatives belong to the local Association of Credit Men and that your sales manager is in close touch with others in his profession. You cannot afford to overlook any opportunity for increasing the efficiency of your sales and credit departments."

The Educational Revolution

Making a Living May Be Noble and Ennobling

By *Dr. Charles W. Gerstenberg*

Member, Advisory Council, National Institute of Credit

IN Mr. H. G. Wells's new book, "The Outline of History," Roger Bacon furnishes the capable and distinguished author with the opportunity of paying his respects to modern scientific research. In effect he says that science has yielded most when it has been courted for its own sake.

Pedagogues have been wont to take hold of some such truism and upon it to base the argument that our whole educational system should be directed toward training in pure science. These same pedagogues forget that only very few of us are innately qualified to be priests of science and that, in a world in which it was ordained that mortal man should earn his living by the sweat of his brow, most of us will have to scratch for crumbs that the few great spirits may remain with us. We cannot all be queen bees; and the revolution in education is coming about through a realization of this fact; it has as its purpose the reconstruction of our educational system that the workers may be made better workers in order that the queens may be better queens, and that the workers may enjoy some of the fruits of the labor of the hive. Education is becoming a means to an end. The end is being analyzed and the means more fitly adapted to the ends sought to be accomplished.

Men are demanding today that the purpose of life be studied, and that education be so arranged that this purpose shall be best subserved. We have today no objection to austerity in education, to vigor in training, to the allotment of a sufficient time to preparation; but we do demand that the austerity be tempered with proper incentives, that the training be directed toward a definite goal, and that the preparation be organized to conserve time and to utilize it efficiently. The school, the college, the teacher must organize on a scientific management basis where planning is done in advance and where doing becomes a deft carrying out of these scientifically organized plans.

BUSINESS EDUCATION

It is precisely for this reason that

we see today the tremendous drift toward business education. When the child gets up in the morning it is bathed, clothed and fed, is made comfortable and happy and willing—even delighted and anxious—to go to school, where not only hard work but the joy of life awaits it. So men are being prepared for the stern realities of life, trained for work and yet anxious to achieve culture as something to make life worth while. Culture is not the moist, nourishing soil into which the new slips can be thrust to get their roots. It is the beautiful flower that will certainly blossom after the roots have been well established in the stern soil of material achievement.

This is the philosophy, back of the National Institute of Credit, in which the advisory council indulges while it is making its plans for the organization and management of the Institute's courses. The work is practical, we believe, in the best sense of the word. There is no necessity for a distinct cleavage between the art of making a living and the art of living. If only the making of a living be reduced to an art that can satisfy intellectual and spiritual aspirations, then making a living, however it be made, will be noble and ennobling. A credit man with a moral purpose in life can be just as artistic as one who puts chisel to stone or brush to canvas. The supreme test is the mental, moral and spiritual attitude of the artisan. Has he a consuming desire to understand the tools of his craft in order that the moral purpose can be best achieved?

The National Institute of Credit is inaugurating its course in Economics, the purpose of which is to indicate the social and therefore the spiritual ends that the business man may achieve. Some people perhaps think of the artist's studio as a place of ribald living, dirty smocks and stinking pallets; of the sculptor's workplace as a stoneyard perhaps in close proximity to a graveyard. To such impoverished souls Economics will forever remain a dismal science, teaching humility to the geometrically increasing swarms of population and abject acceptance of the

proposition that the elemental physical demands of mankind press inexorably upon the means of subsistence. But Economics has a more beautiful lesson to teach. If one will but study the aims of social organization and the niceties with which those aims are furthered, he will see in all of this orderliness the same divine touch which the true artist discerns in the human form, in the moods of the woods and the fields, and which is borne in on the astronomer as he gazes upon the stars.

With this introduction we commend to everyone engaged in the work of credit man, the new course in Economics.

A Credit Map

RALPH A. GREGORY is a believer in visualizing the location of risks in which his bank, the Third National Bank of Scranton, is interested.

One of the features of his department is a large map of the United States, upon which is shown, by a system of colored pins, the name of note or notes held in the bank's portfolio and the amount of the notes. This enables the department to see at a glance where its funds are located, and if any particular part of the country is adversely affected, Mr. Gregory gets promptly a good picture of what his interest is in that section.

Public Speaking Classes

THE Cleveland association is not alone in having as one of the features of its work a class on public speaking. The Los Angeles association has established weekly classes along this line, and fifty-eight of the best men in the organization are giving their time in four weekly classes.

The credit man can greatly increase his effectiveness in the commercial world by being articulate; by being able to get up before his fellows and clearly set forth the principles of his craft.

Other associations ought to follow the lead of Cleveland and Los Angeles in this fine constructive work.

Credit Men Busy from Providence to Los Angeles

Bates Advances

Buffalo.—George F. Bates, formerly Secretary of the Buffalo Association of Credit Men, who but a year ago resigned the association to accept a position with the Citizens Commercial Trust Company of Buffalo, has just received the appointment of Assistant Secretary of that organization.

Buffalo Top-Liners

Buffalo.—F. A. W., in the Bulletin of the Buffalo Association of Credit Men describes some of the stars secured by the Speakers' Committee for recent meetings of the association. One was Prof. Horace Secrist, A. B., M. A., Ph. D., etc., etc., who gave a talk on "Business Statistics and Their Interpretation," "so scholarly and intellectual, so full of meat and profound analysis that some of our boys at first thought it a bit high-brow, but on reflection and after turning the talk over in their minds for a few days, came to the conclusion that it was one of the most intensive, interesting and valuable speeches they had ever listened to. Prof. Secrist said that in time the science of business would approach an exactness of physics and other sciences. Most of us have held, in our own minds at least, that credit granting never could be reduced to a cold blooded and exact science, but after listening to the learned gentleman from Illinois we were compelled to admit that there was considerable force and logic in what he had to say. In fact, one or two of us began to revise our previous notions of the credit granting game.

Another is "John D. Wells, whom we delight to call our own John D. It isn't necessary to tell anyone in Buffalo about him. Every mother's son of you have probably been a devoted reader of his 'Grave to Gay' column for the past ten years or so. You all know his geniality, his drollery and his whimsical humor. You know, too, that he has a serious side as he is able to move an audience to tears as well as laughter."

A third star is "Big Dan Reed." He was "one of the best football players ever turned out at an American university, and carried into his after life the same sterling qualities which made him successful on the football field. After leaving Cornell University, he became chief coach of the football squad of his Alma Mater. Later he became identified with the Chamber of Commerce of New York City and later secretary of the Chamber of Commerce in Flint, Mich. A few years ago he returned to his home town, Dunkirk, practicing law. His fellow citizens sent him to Congress and he did so well there that he was re-elected this year. He is to speak to us on 'Co-operation' and he is well qualified to do so, for his entire success in life has been built on co-operation."

Boosting Cincinnati

Cincinnati.—F. W. Drackett, President, P. W. Drackett Sons Co.; Leslie Webb, President, Webb-Biddle Co., and W. B. Campbell, Vice-President, Perkins-Campbell Co., are members of the publication committee of the Cincinnati Manufacturer and Exporter, which is doing a great work in advertising the business activities of Cincinnati to the country at large and to foreign countries. The publication contains a comprehensive industrial trade

directory, alphabetically arranged and classified, of the products manufactured in Cincinnati.

The Cuban Situation

Cincinnati.—F. J. Zurlinden, Deputy Governor of the Federal Reserve Bank at Cleveland, addressed a recent joint meeting of the Cincinnati credit men and the members of the American Institute of Banking.

The John Van Range Company of Cincinnati recently received from their Cuban agent a letter which sets out clearly and interestingly what has been going on in Cuba commercially and the causes of the general demoralization. The Van Range agent writes: "Cuba is very much over-bought in all lines of merchandise. This condition is attributable to a number of causes, freight congestion here, transportation, boycotts, and paralyzation of car and ship movements, both in the United States and in Cuba. This created a scarcity in almost all lines of merchandise, consequently delirious prices for what little arrived was the order of the day. 'Free Lances,' speculators and commission merchants of all kinds, not understanding the cause for all this, made enormous contracts for materials of all kinds, about which they knew absolutely nothing, trusting in being able to realize on these orders either while the material was in transit or before receiving same from the docks. In most cases they did not have adequate capital to take care of these obligations, unless same could be disposed of in the manner described.

"Reputable merchants, also, seeing increase in their volume of business from month to month, also believed that the consuming capacity of Cuba was limitless. We know of innumerable cases where mule traders have speculated in steel products, where doctors and professional men have gone in for vitrified pipe, where bank clerks have invested in provisions, dry goods, etc., etc. Much of this material has been lying in Havana harbor for months, with no lighters to transport same to docks, and no docks to handle it in case it did arrive, and no storage or warehouse facilities on part of the buyers to take care of same if they were not sold outright before reaching here.

"The situation brought on by this orgy of speculation has been further intensified by the latest developments here. We refer to the official moratorium decreed by the President of this Republic, and which all the banking institutions have availed themselves of. As a result, thousands of indents for merchandise of all kinds, shipped with the documents of acceptance or payments attached to bill of lading, and given to the banks for collection prior to the delivery of the merchandise, are lying in the collection departments of these banks. As the banks are in moratorium, and this moratorium has now become general, the buyers of these various consignments are now refusing the acceptance of documents, in most cases through actual inability to pay, and possibly in some cases because they realize that they have made a bad investment and see a loophole of escape.

"You can readily understand from all this, which is merely a brief survey of conditions here, that reputable merchants, long established here, with credit standing acquired after years of faithful compliance with the demands of their ship-

pers, are up against it "good and hard." They are suffering all the ills of the moratorium, which cut off their collections fully seventy-five per cent, they find their cash assets tied up in the banks, unable to draw against same, and also a complete paralyzation of all new trading, as not only their money, but the money of the buying public is being held up by the banks for the same reason.

"The necessity of realizing some real cash, if only to pay clerk hire and living expenses, has resulted in the slashing of prices beyond all reason. In most cases there is not even enough cash to pay the duties on this merchandise, so that other material is sacrificed in hope of saving the new consignment.

"What the banks will do, once the moratorium is lifted, to dispose of documents and acceptances which they are now obliged to hold, we leave to your imagination. Many of us who have bought merchandise at the high prices which have been prevailing in the United States find ourselves obliged to compete with similar merchandise, which will be sold regardless of cost. It is only right that American manufacturers who have regular customers in Cuba know exactly the difficulties and obstacles which those customers are facing, and to know also that for many months to come these difficulties are going to become greater and more serious.

The millions of dollars worth of material in the harbor and on the docks and in general warehouses of all Cuban ports will have to be disposed of at any price. *Manufacturers in the United States cannot reclaim their goods, as the Cuban Government has a claim on same for duties, port charges, etc.* A shipper who has a lot of material here unclaimed or refused, will certainly have no regard for another merchant here who has paid full price for his material and satisfied his obligations to another shipper.

"A bank which is holding documents uncalled for or unaccepted, will also have no regard for other customers in the same line of business, who carry the same articles, fully paid for, in stock. His orders will be to dispose of the goods at any price, and if the bank has already accepted the documents for the buyer it will do that, anyhow.

"Some honest effort should be made by reputable manufacturers in the United States, either to limit their sales or to confine same to legitimate dealers, firms with established reputations, with warehouses and organizations to take care of same, and thus stop irresponsible trading by 'fly-by-night' speculators and commission merchants.

"Many of the 'get-rich-quick' commission merchants and so-called exporters in the big export cities of the United States have helped along to bring on this state of affairs, which they could not have done if they had not received material aid from the manufacturers, who delivered the merchandise regardless of whose hands it was going to fall into. We feel quite certain that there are any number of cases where manufacturers have sold their product direct to dealers at profitable prices, and then sold so-called exporters in New York or New Orleans the same products, which lots are now in the hands of the local banks or speculators, to be disposed of at 'any old price'; in other words, the manufacturer is killing his own reputable customer, who has always fulfilled his obligations to him. It surely

is not going to be beneficial to American manufacturers in the long run.

"We trust, now that this situation has been brought about and must be faced as best we can, that you will try, in the future, to analyze your trading, not think only of the momentary benefits, and give the man who gives you a square deal a square deal in return."

Cleveland Mid-Season

Cleveland.—The Cleveland Association is in the midst of its meeting season. Following the opening evening dinner meeting, which took the form of a reception for D. C. Wills, newly appointed member of the Federal Reserve Board, a second evening meeting was held at the Statler Hotel ballroom, addressed by Prof. Francis Harvey Green of West Chester Normal College, West Chester, Pa. Professor Green spoke on "Bank Books and Other Books," pouring liberal helpings of humor into his discourse. Nearly 300 attended this meeting.

The noon meetings were launched November 2 when Charles E. Adams, President of the Cleveland Hardware Co., spoke on "Today's Credit Situation." The attendance was 250. December 7 the second noon meeting was addressed by Carl F. Friebolin, Referee in Bankruptcy, on "The Creditor, the Failing Debtor and the Law."

On December 15 Douglas Malloch, "Poet of the Woods," addressed the association at an evening meeting on "Some Sinners I Have Met." On January 18 John Hannan, Insurance Attorney, will speak at noon on "Insurance Problems."

The association held an evening meeting at Canton, Ohio, in November for the benefit of Canton, Massillon and Alliance members. The attendance was 100, a special interurban car carrying thirty-five members from Cleveland to the meeting. J. D. Cathon of the Hoover Suction Sweeper Co., North Canton, was toastmaster and the principal address was made by F. J. Zurlinden, deputy governor of the Federal Reserve Bank of Cleveland. Talks were also given by President J. E. Campbell, Secretary D. W. Cauley and National Membership Chairman R. W. Touzeau.

A. F. Ingersoll, former secretary and counsel of the Cleveland Association, was elected judge of the court of appeals of the Cleveland district at the recent November election.

The memo below which Wm. F. Nank, of the Erie Tire & Rubber Co., used on November first statements, is bringing very good returns on collections.

Bill says pay this bill so Bill can pay "Bill" the bill Bill owes "Bill."
"Bill Nank."

Competition in Duluth

Duluth.—The meeting of the Duluth association, which called together over seventy members, was addressed by Isaac Moore, Vice-President of the American Exchange Bank of Duluth, who talked on "Credits and Conditions From the Banker's Standpoint;" and the Rev. George Brewer of Duluth, spoke on "Personality in Business Transactions." Both were forceful, instructive speakers.

There was a report on the results of offering prizes for the best papers on this subject: "Is it good business to submit a financial statement at inventory time to creditors and mercantile agencies?" The best two papers were read at the meeting

and the writers received prizes for the splendid work they have done. [For these papers, see "Why Merchants Should Give Statements" and "Giving a Statement Is Good Business" to appear in an early issue of THE CREDIT MONTHLY—Editor.]

Moran Banquet

Evansville.—Secretary-Manager H. W. Voss of the Evansville Association of Credit Men, sends out this announcement of the December dinner of the Evansville association, given in honor of E. B. Moran, manager of the Central Credit Interchange Bureau of the National Association of Credit Men: "A special invitation is extended to Credit Ladies, also wives, sweethearts and mothers of all members."

"E. B. Moran of the National Association will address us. Mr. Moran has been in the National Association work for the past five or six years. He has visited with us several times and all who know him have learned to love him dearly. This is the first time we have been fortunate enough to get him for an address. We know he will have a message that will be worth your while."

Banking and Advertising

Fort Wayne.—The Fort Wayne members had with them at their November meeting W. A. Heath, Chairman of the Board of Directors of the Federal Reserve Bank of Chicago, and William P. Green, Secretary of the National Vigilance Committee of the Associated Advertising Clubs of the World. To meet these speakers the association had invited a number of guests, including the officers and directors of the local banks of Fort Wayne and vicinity.

Mr. Heath's subject was "A Chapter in Banking," under which he told the nature and purposes of the Federal Reserve system, and the manner it is meeting present-day problems. Mr. Green's subject was "The Necessity of Truth in Advertising." Over 250 were present.

High School Boys

Huntington.—Jno. E. Norvell, Norvell Chambers Shoe Co., 2nd V.-P. of the National Association of Credit Men, sends THE CREDIT MONTHLY the following article clipped from a Huntington newspaper and bearing the heading "Business Men to Study Commercial Law in High School":

"If perchance you see a dignified class of men trooping gayly out of the high school building on Tuesday nights pressing a text-book close to their manly bosoms, think not that anything more unusual is in progress than a class in commercial law. For such be it the case, according to reliable reports of the last acquisition to the enrollment at Huntington High."

"At a recent meeting of the Credit Men's Association in Huntington a desire was expressed for supervised study of commercial law. The result was the organization of a class of thirty-five members of the association who reverently entrusted their legal destiny to the keeping of one P. P. Gibson, young attorney of Huntington. Orders for copies of an authorized text-book on commercial law were placed, he books arrived in due time and the class is now well on the road to understanding when a contract is a contract and when it is a scrap of paper and other abstruse questions which arise in the mind of almost any credit man in the world."

"The class meets on Tuesday nights, but after the first of the year two sessions will be held each week, one on Tuesdays and the second on Thursdays."

Capital Turnover

Huntington.—R. I. Hutchinson of the Legislative Committee of the Huntington association spoke at a recent meeting on the present day vital subject of "Capital Turnover." Mr. Barlow read a paper on "Mercantile Agency Service," followed by a discussion led by Leon Shackelford and H. C. Binns. The meetings of the association are growing in interest. A recent monthly meeting was held at the Johnson Memorial Church and the ladies of the church arranged a nice dinner for the members. The entertainment committee prepares an attractive program for each meeting.

Busy Year for Indianapolis

Indianapolis.—President Murphy of the Indianapolis Association of Credit Men in outlining the work of the association for the year, says it is a "trite thing to say that the officers and directors need the loyal support of the membership. Everybody admits the truth of such a statement. This co-operation once secured, the association will go forward to such success as it has never enjoyed in the past. The first real job of the officers and directors, therefore, is to win this co-operation. And it must be won. It is not a thing that can be 'taken from' you. You, Mr. Creditman, cannot be driven or coerced into extending it. You, indeed, must be 'won over' to the place where your help will be spontaneous, a natural result of a well defined conviction that the local association, with its national affiliation, is doing a good work, and that to you, is worth while."

"As a first step towards the accomplishment of that co-operation mentioned above, the board has laid out a program for the ensuing year which contemplates, briefly, the following activities:

1. Acquaint the membership more thoroughly with the service which the association offers them.
2. Raise the standard of the noon luncheon meetings by making the members better and more widely acquainted one with another, and by discussing and having discussed subjects relating to credit—civil matters, national affairs, legislation, etc.]
3. Organize trade groups.
4. Broaden educational work for the special benefit of young credit men, and if possible organize a class in public speaking.
5. Hold from three to six open night meetings to be addressed by men of national reputation.
6. Increase the membership to 600 by June 1, 1921.
7. Carry out the plans here outlined so that the crest of the enthusiasm and interest shall be reached in March or April. Then the 1921 National Convention should be boomed with the idea of having a large delegation go from here with the firm determination to bring the 1922 Convention to Indianapolis without fail.

"We believe the program outlined will appeal to you as sufficiently broad and one that will keep us all busy if it is carried out. If it does so appeal, give us your hearty support. If it does not, a better one will be most gladly received. Let us have constructive suggestions."

This year's officers of the association are: Dwight A. Murphy, City Trust Company, Pres.; John C. Rugenstein, The Indianapolis News, 1st V.-P.; C. E. Sullivan, Merchants National Bank, 2nd V.-P.; J. M. Caswell, Diamond Chain & Mfg. Co., Treas.; Lawrence G. Holmes, Genl. Secy., and E. G. Holmes, C. P. Lesh Paper Co., Member Board of Directors National Association of Credit Men.

The Board of Directors consists of: R. O. Bonner (1920-21), L. S. Ayres & Co.; F. L. Bridges (1920-21), Bridges-McGaw Company; Wm. A. Emerson (1920-22), Bradstreet Co.; O. A. Farthing (1920-22), Efrogmson & Wolf; E. C. Johnson (1920-21), Acme-Evans Co.; A. W. Macy (1920-

22), Indianapolis Glove Co.; F. B. Slupsky (1920-21), U. S. Encaustic Tile Works; A. P. Stephenson (1920-22), National Malleable Castings Co., and A. R. Taggart (1920-22), Sherwin-Williams Co.

Los Angeles Busy

Los Angeles.—The latest meeting of the Los Angeles Credit Men's Association was the largest attendance of any meeting under the present administration. There were present 251. Mr. Cantley and his committee were "on the job" and extended the glad hand and made everybody acquainted.

After the usual dinner and some excellent music by the Vassar Girls, A. D. Kinne of R. G. Dun & Co., made a special appeal for more members to join the public speaking class, conducted by the association, and spoke of the benefits being derived.

The secretary gave his usual monthly report, and the association to date numbers 890 enthusiastic members. An interesting letter was read from J. H. Tregoe, National Secretary, referring to corporations in liquidation, inventories, and other matters of general interest to the credit men.

Under the title, "My Most Interesting Experience in Credit Work"; three minute talks were given by Messrs. Bremner, Stepan, McGinnis, McComas, McCourt, Reynolds and Rust. Each brought out some actual credit experience which was of interest to all credit men.

Ray Nimmo, past president of the Ad Club gave a very interesting address on the function of advertising in business and the advantage gained through truthful presentation of facts. He went into detail regarding the organization and work of the Ad Clubs throughout the country and made a plea for the suppression of fraudulent advertising.

Mr. Shelton of Gibbons & Shelton, attorneys, made a very interesting and forceful address upon the subject, "Are You a Business Man, or a Man in Business?" He emphasized the necessity of a worldwide vision and an international view point. He spoke of our need of ships and the necessity of the development of our merchant marine to supply the world's need of goods. We are, he said, specially favored as a nation to take care of the world's trade and demands; we must not fail through industrial unpreparedness.

"The meetings are gradually growing in popularity and those who fail to attend are missing something that will add to their business knowledge and ability as credit men," says R. H. Kimball, of the Cohn Asher Hat Company.

Bethel Steps Up

Louisville.—P. B. Bethel of the Falls City Clothing Co., Louisville, has been made president of his company. Mr. Bethel is a member of the Board of Directors of the National Association of Credit Men, one of the most active members in Louisville, a regular attendant at conventions, recently chairman of the Fire Insurance Committee of the National Association, and now a member of the Executive Committee on Credit Interchange Bureaus.

Kipling Started It

Memphis.—J. U. H. of the Memphis Association of Credit Men has composed this "If" parody:

If you can wrestle with a discount bug;
If you can watch a customer go bust;
(And just continue smiling in the scrap);
And have a salesman swear he saw it first;
If you can show a loss so very small
That e'en the old man says it ain't so bad;
And have him say "On second thoughts I fear
You're holding them a bit too tight, my lad."
If you can pass a shaky guy for goods
Because the salesman mutters "Good as wheat,"
And still not murmur when that same man says,
"I always knew Kazinski was a beat,"
If you can wear your shirts until they're frayed,
And see your kids go movie-less or worse,
If you can see your blessed wife arrayed
In gowns that date from wedded year the first,
If you can see her washing out your sox
Because "the laundry is so hard on things;"
And see the eight-hour crew go rushing home,
While you stay down and work till curfew rings;
If you can do all this (I'll say you can)
You're more than human—you're a CREDIT MAN.

Tennessee State Conference

Memphis.—E. N. Dietler makes the following notes on the Tennessee State Conference: "In a beautiful building, before the bar of justice, in the commonwealth of Virginia, at Bristol, was held the seventh annual conference of the Credit Men of Tennessee.

"An interesting town of about 17,000 people; the largest jobbing center of its size in the country; an educational atmosphere that was pleasing and helpful to the conference made Bristol a charming place for all who attended. The members of the Bristol Association left nothing undone for the pleasure and comfort of their guests.

"The program was one of unusual interest and profit to all Credit Men. The subjects discussed were of vital importance just at this time and a better balanced selection of topics could hardly be arranged. From the opening subject 'Reconstruction' to the closing subject on the 'History of Commercial Failures,' every one of them held a fund of information for all.

"Some day the local Association here must have the pleasure of a talk by Mr. Champ S. Andrews, of Chattanooga, who appeared before the conference presenting the subject, 'The Business Conscience.' He very forcefully brought out the errors that many were falling into at this time of repudiating contracts, through refusing to accept delivery of goods bought last spring for Fall delivery, and also returning merchandise to cancel an account, just because there had been a decline in price.

"Mr. Roberts, of Knoxville, made a very interesting talk about Federal Taxes. He is of the opinion that the income and excess profits tax, as we now know it, will be repealed by the next Congress, in so far as it affects corporations, and that in its place we will have some method of taxing undivided surplus.

"He pointed out one serious fault of the proposed Sales tax, using as his illustration the proposition: 'Shall the total of the loans of a bank be considered the sales figure on which taxes are to be levied, or should the sum of discount charged on such loans be the basis?' Another proposition he submitted was: 'What will be considered the basis for such a tax, by a doctor, lawyer, or other professional men?'

"Our own counsellor, Lee T. Ford, was 'on the job' all of the time, from

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early in the morning, when he made a very interesting response for Memphis, to the address of welcome, until late in the afternoon, when Mr. Tregoe said of him: 'We have quite an orator in this young man.'

"In the evening an elaborate dinner was served and afterward there were several speeches, including one from Mr. Tregoe. All who went returned to their desks refreshed and amply repaid for their long trip. May next year's conference see a much better representation from Memphis is the hearty wish of your three delegates."

Any Contingent Liabilities?

Milwaukee.—W. S. Hayhoe asks if "the credit men have taken into consideration, when dissecting financial statements and looking over the credit information, if there are not contingent liabilities that perhaps are not shown on the surface. For instance, a corporation may be taking trade acceptances and banking them. In my opinion a financial statement at this time is not complete without this up-to-date information stated and should be considered by credit men as there is no doubt in my mind there is contingent liability to some extent, and the more trade acceptances they bank the greater their liabilities because—financial conditions at the present time and the future may make it impossible for the maker of these trade acceptances to meet them promptly when due."

It Stopped the Run

Milwaukee.—The bulletin of the Milwaukee Association of Credit Men says: "She was called the bank's auditress because most frequently the old lady would draw out her small balance, count it over and finding it correct, would redeposit. When the cashier informed her he did not wish her account she angrily went away spreading the report that the bank must be insolvent not to want her account. It took the bank's officials two hours to quiet an incipient run of frightened depositors. During the confusion a man demanded the cashing of his \$75 check. The president personally cashed it with so reassuring an air that the run ceased. At closing the president was handed the \$75 check with the notation, 'No funds.'"

Leniency to Debtors

Milwaukee.—"Now is the time for exercising leniency, judgment and the spirit of helpfulness toward a debtor," said Robert Wittig of R. G. Dun & Co. before the members of the Milwaukee Association recently. Provided the buyer is a good moral risk and has a reasonable amount of responsibility, he must not be pushed into a position of despair, for he has found it harder to pay with low prices, with earnings lower and the dollars growing in value.

Embarrassments do not take the form of bankruptcies now so frequently as they once did. They are more likely to be in the form of assignments, trust agreements, creditor's committees, especially where assets are at least nominally in excess of liabilities. For the first nine months of 1920, he declared, the number of failures in the country was twice as large as for the same period in 1919, and the liabilities five or six times as large, indicating that failures were frequently larger concerns, principally manufactur-

ers with big inventories and cancelled orders.

Another speaker was R. G. Elliott, National Director and Chairman of the Committee on Federal Taxation, who urged that we stop using the corporation as the collection agency for the Federal Government and let every individual pay his own income tax. "Repeal the Federal Income Tax Law," he said, "and the present method of collecting taxes on dividends at the source should be discarded just as it was discarded years ago with respect to salary, wages, rents and interest. The next step should be to collect the proper income tax from each individual according to his ability to pay."

"The only lasting foundation on which a system of tax on income can be erected is ability to pay. Every tax is paid ultimately from the income of individuals. The individual should be used to the greatest possible extent as the unit to which income taxation is applied."

Credit Interchange Abuses

Minneapolis.—At the second monthly meeting of the Minneapolis Association, J. H. McKesson described his experience in the use of the Trade Acceptance and the result of his talk was to stir up an animated discussion in which many members took part.

"The exchange of credit information, its uses and abuses," was the subject treated by A. R. Leonard, who pointed out that the abuses of the system were ranking in the minds of many members, who, though recognizing the great value of free interchange of information, were annoyed by the nuisance of it all because of carelessness of so many credit departments.

C. T. Danielson spoke on "Investigation and Prosecution Work of the National Association."

The women members of the Minneapolis association have become numerous enough to hold their own special meeting. A recent meeting was addressed by Mrs. Virginia Blythe, a member of the Minneapolis bar; Mrs. Rasmuson, who led an interesting discussion of the Trade Acceptance; and Miss Moorehead, who gave a short talk on the Moratory Law, especially in Cuba.

Financial Statements

New York.—Secretary Alexander announces that the Forum Committee of the New York Credit Men's Association consists of the following: George W. Retz, chairman, A. D. Juilliard & Co.; H. G. Green, vice-chairman, H. W. Johns-Manville Co.; H. H. Sturge, Wm. Openhym & Sons; T. J. Digan, U. S. Steel Products Co.; A. F. Maxwell, National Bank of Commerce; Thomas A. Finn, Farmers' Loan & Trust Co.; R. F. Atkins, Chicago Pneumatic Tool Co.; and L. R. Brown, Internal Western Electric Co.

"Financial statements, from the viewpoint of the accountant, merchant and analyst" was the subject of the December public meeting in the Ball Room of the Hotel Astor. The speakers were W. A. Staub, C. P. A., of Lybrand, Ross Brothers & Montgomery; David E. Golieb, Manager Credit Department Einstein-Wolff Co., who for several years has taught at N. Y. University and is author, with R. P. Ettinger of the text-

book, "Credits and Collections" used by the National Institute of Credit; Alexander Wall, Secretary-Treasurer, The Robert Morris Associates, Lansdowne, Pa., the organization of banker members of the National Association of Credit Men.

The very careful consideration given by the committee in its selection of subjects for discussion at these meetings is evidenced by those that have been presented and the large and steadily increasing attendance of members emphasizes their interest in them. The committee urges a free discussion, on the part of those present, of the views set forth in the formal addresses during the open forum following them.

The value of the financial statement depends primarily upon the skill and care with which it is analyzed. The credit grantor should not be satisfied with mere figures—he should confirm them. Prevailing conditions suggest the necessity of exercising unusual care in analyzing financial statements. The subject for discussion at this meeting, coming just before the inventory taking period, is most timely.

New York Bankers Promoted

New York.—Geo. H. Saylor and M. Haddon Howell, formerly assistant cashiers of the Chase National Bank, New York, has been appointed assistant vice-presidents.

Jacob Wohnsiedler has been elected a vice-president of the National City Bank of New York. Mr. Wohnsiedler is in charge of the National City Bank's credit division and has been a member of the bank's staff for the last twenty years. He was appointed an assistant cashier in 1915 and an assistant vice-president in 1919.

George H. Smith, the National City Bank, New York City, has been appointed accountant in charge of the credits and loans at Buenos Aires branch of the National City Bank. Mr. Smith takes this position after October 1st of this year.

Four Vice-Presidents with Real Jobs

New York.—Instead of two vice-presidents with ill-defined duties, the New York Credit Men's Association now has four vice-presidents, each of whom takes care of two important committees. In this way a maximum amount of interest is sustained in the various activities of the association. Ordinarily an association vice-president has no duties except in the absence of the president. Under this plan of organization, moreover, when a man is elected vice-president he can be of real service to the fellow members of his profession and the business community. President Bainbridge's lieutenants are: J. L. Medler, Atlas Portland Cement Co.; G. E. Chapin, Federal Reserve Bank; W. H. Pouch, Concrete Steel Co.; N. W. Adsit, New Jersey Zinc Co.

Farmer and Retailer

Norfolk.—The Norfolk-Tidewater association recently appointed a committee to make a study into the problems which have been forced upon jobbers and manufacturers through the failure of retailers to take care of their obligations with reasonable promptness. Retailers make as an excuse their inability to collect from the farmers, who are holding their products for a better price, and virtually forcing

the retailer to furnish the funds to help the farmer in keeping his product off the market.

Although the Norfolk-Tidewater association does not take the stand that the farmer is following a mistaken policy, yet it clearly points out that a load has been put upon the jobber which he is in no position to carry; the jobbers must make it clear to the retailers that they must impress upon their customers the fact that they cannot continue to furnish funds for withholding crops from the market, and that at least enough of the crop must be sold to keep the farmer going.

The committee urged a concert of action among the jobbers in the various lines so that the retailer would receive from the shoe jobber, the dry goods jobber, the grocery jobber, etc., communications bearing the same strain; in this way impressing upon the retailer the greatness of the problem and the fact that everybody in the present situation must help to carry the load.

Collections Nowadays

Philadelphia.—"How to Handle the Collection of Accounts Just at This Time" was the live topic of a recent meeting of the Philadelphia association under the chairmanship of H. Morris Teaf. This discussion was held at one of the noon-day luncheons which have done so much to enliven the work of the association and to stimulate increases in membership. Noon-day luncheons were held at the Hotel Adelphia, Dec. 7 and 21, and the Export Club luncheons were held Dec. 13 and 27.

Getting New Members

Pittsburgh.—A membership campaign is in the making to boost Pittsburgh enrollment to 1,500 by June 1. A. C. Mills, chairman of the membership committee, says the goal will be reached.

This was the unanimous decision of the committee which met to discuss the proposition. The present membership is 1,074.

The recommendations of the national membership committee call for the appointment of teams of three men each and awarding of suitable prizes as an incentive to obtain increased numbers. It is suggested that persons not members of teams be given individual first and second prizes, in the work of member getting.

Strong Committees

Pittsburgh.—Announcement is made of the appointment of the following additional committees:

Committee on Banking.—L. V. McLean, chairman, First National Bank; E. M. Seibert, Bank of Pittsburgh, N. A.; E. S. Eggers, Union National Bank; W. O. Phillips, Diamond National Bank; Joseph W. Ward, Peoples National Bank; George DeCamp, Federal Exchange Bank; J. M. Williams, Mellon National Bank; F. S. Callendar, Monongahela National Bank.

Committee on Acceptances.—Dr. J. T. Holdsworth, chairman, Bank of Pittsburgh, N. A.; E. S. Eggers, Union National Bank; V. C. Boggs, Columbia National Bank; C. E. Showalter, Iron City Electric Company; F. C. Harper, American Sheet & Tin Plate Co.; L. W. Lyons, Westinghouse Electric & Manufacturing Co.

For further news of local association see elsewhere in this issue.

A Basic Course in Economics

New N. I. C. Correspondence Course Especially for
Business Men

By John Whyte, Ph.D.

Director, National Institute of Credit

THE National Institute of Credit of the National Association of Credit Men announces the opening of a new correspondence course, a basic course in Economics.

This course has been prepared for business men, particularly for the credit man. It is based on Clay's "Economics for the General Reader." The lectures, reading assignment and problems that go with the text book have been prepared by the well-known economist, Eugene E. Agger, Ph.D., Associate Professor of Economics of Columbia University.

"Some study of Economics is at once a practical necessity and a moral obligation." To whom can these words apply with more force than to the business man, for *Economics is the study of business*; and what time is there like the present for the formal study of business?

The young business man who for the first time is facing the harassing complications of a business depression will learn from the formal study of Economics, something about the recurrent character of these periods of depression and revival and about the external attributes of these periods. Linking his own experience in such periods with the experiences of business as a whole over a period of a hundred years and applying the lesson of common human business experience to his own problems, he may escape the shoals upon which others have foundered. In a period of economic readjustment which follows every war, he can well learn from the experiences of the past something of the nature and difficulty of industrial problems, something of the difficulties involved in price and wage adjustments. Such problems, though accentuated by the war inhere in the very nature of our modern industrial society, and the business man must face them, both as business man and as citizen.

There is a feeling among business men that Economics is abstract theory which has no relation to business as practiced by the actual business man. Nothing could be farther from the truth. A few questions taken at

random from Dr. Agger's assignments will show how closely Economics is related to the everyday experience of business men.

1. Explain the organization involved in the production of ready-made men's clothing. At what different stages of the industry as a whole does the need for

EUGENE E. AGGER, PH.D.

Associate Professor of Economics in Columbia University, is the author of the course on Economics of the N. I. C.

Professor Agger is widely known both as a teacher and as a writer of text books. He is the author of "The Budget in the American Commonwealth," "Organized Banking," and of numerous magazine and newspaper articles on economic subjects. He is the editor of the American edition of Clay's Economics for the General Reader, the text book used in the course.

He has kept in mind everywhere the business man and particularly the credit man. He has related the discussion of Economics to the current problems of American business, industrial and social life. Students of credit and business will find his course an invaluable guide in their study of the fundamentals of business and social organization.

organizing ability and risk taking appear?
2. If you had the power would you abolish middlemen? Defend your position.

3. In what ways do risks arise in modern business? Upon whom does the economic burden of these risks first fall? Who bears the risks in corporations?

4. What is meant by the "level of prices" and in what sense is it important?

5. Suppose that an American buys goods in England. What different methods may he employ for paying for them?

6. Explain rediscounting, showing how it is of importance to the bank.

7. What are the advantages of the Federal Reserve System?

Dr. Agger, in the preparation of his course, has kept in mind the business man and particularly the credit man. He has related the discussion of Economics to the current problems of American industrial, business and social life. Students of credit and business will find this course an invaluable guide in their study of the fundamentals of business and social organizations.

The course consists of ten lectures and problems and accompanying reading assignments, supplementing the material in Clay's "Economics." The following subjects are covered.

LECTURE 1. "The value and importance

of economic study." Reading Assignment 1. The material of economic study. Reading Assignment 2. The organization of our modern system.

LECTURE 2. "Capitalism, Socialism, Communism and Bolshevism." Reading Assignment 3. The purpose and importance of insurance and speculation. Reading Assignment 4. The function of capital.

LECTURE 3. "The Trust Problem in the United States." Reading Assignment 5. Competition and cooperation in our modern economic system. Reading Assignment 6. Competitive versus monopolistic production.

LECTURE 4. "Our American Monetary System." Reading Assignment 7. The importance of money. Reading Assignment 8. The importance of credit.

LECTURE 5. "The War and Inflation." Reading Assignment 9. The level of prices and its changes. Reading Assignment 10. The division of wealth.

LECTURE 6. "Panics and Depressions." Reading Assignment 11. What causes depressions. Reading Assignment 12. Wealth creation and value creation.

LECTURE 7. "The Labor Problem." Reading Assignment 13. Wages and cost. Reading Assignment 14. Wages and standard of living.

LECTURE 8. "The Problem of the Profiteer." Reading Assignment 15. Why interest and profits? Reading Assignment 16. The rent of land and of natural resources. Reading Assignment 17. Rent and the unearned increment.

LECTURE 9. "The Institution of Private Property." Reading Assignment 18. Property and enterprise. Reading Assignment 19. Some of the weaknesses of our modern system.

LECTURE 10. "Individual Opportunity and Social Responsibility." Reading Assignment 20. Wealth and welfare.

Conditions in Europe Are Important to Us

Providence.—Edward A. Filene, a prominent merchant of Boston, spoke to the Providence Association of Credit Men at a recent meeting on "Actual Conditions in Europe and America." Mr. Filene declared that there can be no question in the minds of any thoughtful business men that European problems must be solved, not only for the good of Europe but for the good of America, because business conditions here depend so largely on what the economic conditions in Europe may be. He urged, therefore, upon the business men of America that they give close attention to the whole subject of how to help Europe get upon its feet again.

President L. F. Cobb announced that at the next meeting the association would entertain President W. F. H. Koelsch and Secretary Tregoe of the National Association of Credit Men.

Dr. John H. Finley

Commissioner of Education, State of New York,
Commends N. I. C. Course in Economics

I heartily commend your purpose in promoting a knowledge of Economics on the part of bankers and business men.

(Signed) JOHN H. FINLEY.

Albany, Dec. 10, 1920.

Notes on the National Institute of Credit

CREDIT RESEARCH

Pittsburgh.—The Pittsburgh N. I. C. chapter conducted last year a class in research work under the direction of A. D. Sallee. The members of this class, J. W. Thomas and J. C. Bingham, have published the results of their research work under the title "Standard Retail Statements." The Pittsburgh research class, and through it the local chapter in Pittsburgh, is to be congratulated on this contribution to the study of credit.

The magnitude of the work becomes apparent from the fact that 1931 statements of grocers, 485 statements of general merchandisers, 78 statements of retail furniture dealers and 36 statements of undertakers in Southwestern Pennsylvania were examined. The conclusions of this exhaustive analysis are presented under the following heads:

1. Consolidated statement
2. The Average statement
3. The Dollar Basis statement.
4. The Current Ratios
5. Stock Turn
6. Accounts Receivable
7. Accounts Payable
8. Rent

The material is presented in a clear and readable manner. The value of such research work will be apparent to anyone who will examine the Pittsburgh pamphlet, and it is not only the merchants in Pittsburgh who will benefit by the results of this investigation.

Retail conditions are, of course, different in different parts of the country, but they are not so utterly different as to make a study of the retail conditions in Southwestern Pennsylvania of little value to busi-

ness men in other parts of the country.

The reading of some of the material under the heading "Current Ratios" will illustrate the valuable character of the work of this class in Credit Research.

Current Ratios

"Consideration of the fact that the average retail grocer shows \$5.01 in active assets for each dollar of current debt, and that the general merchants show a ratio of 4.65 to one, raises the thought that the commonly accepted two-for-one ratio is too low for the small retailer, however well it may do in wholesale and manufacturing lines.

In this connection it will be well to note that 258 of the 1,931 grocers reporting show no liabilities whatsoever. One of them shows \$710 of active assets to each dollar of current debt, and thirty-one show a ratio of fifty to one or better.

While the average ratio is 5.01 to one, figures running from a parity (one to one) up to six to one are quite common, and there are but fifty-eight statements showing active assets in less amount than current liabilities. It is interesting to note that the poorest one-fourth of the cases include ratios running as high as 3.50 to one, and the poorer one-half run up to seven to one.

While the 485 general merchants show an average ratio of 4.65 to one, it is found that one-half of those reporting show ratios running from four to one up to eleven to one. Fifty-one of them show no liabilities. The best one-fourth show better than eleven to one, and the poorest one-fourth run under four to one. The ratios in the general store line are so evenly distributed that it is difficult to pick a common figure, and about the best that can be done is to say that ratios running from two to one up to five to one seem to be most common.

An effort was made to determine the difference in ratios that might exist between the small, medium and large stores, but this did not show such results as to be enlightening and the figures are not given herewith.

It is to be hoped that such studies, which are the beginning of research work by local chapters, will be carried on in other parts of the country. Mr. Clautice, of Baltimore, is planning this year to have his students establish for Baltimore the Current Ratios according to Wall's method.

Credit Men vs. Bankers

Pittsburgh.—A debate was held between the members of the Pittsburgh Association of Credit Men and the Pittsburgh Chapter, National Institute of Banking, on December 14, in the Chamber of Commerce auditorium. The subject was: "Resolved, That the use of acceptances is essential in the financing and development of America's domestic commerce and foreign trade." P. O. Eitel was manager of the association's team and Don A. Mullin the bankers'.

Frank A. Vanderlip

Banker, Economist, Author,
Calls N. I. C. Policy Far-sighted

Dr. John Whyte:

I have heard with interest of your proposed course in Economics for Credit Men. A knowledge of sound principles of Economics among business men is of the most far-reaching and vital importance; and I cannot commend your educational Institute of Credit too highly for the far-sighted policy which led to the offering of this course. It will prove of the greatest value to all who take advantage of it.

(Signed) F. A. VANDERLIP.

Ossining, N. Y., Dec. 13, 1920.

Relation of Economic Study to Business Experience

Reprinted by Permission from "Economics for the General Reader"
Published by The Macmillan Company

By Henry Clay, M. A.

EVERY one makes some study, more or less casual or systematic, of the subject matter of economics, and every adult has one important qualification for such study, namely, experience. It is on the basis of their experience of the present economic system that people form their judgment on its problems; it is in their experience that they find the materials for answering such questions as may arise in the course of an economic transaction.

Experience, however, while it is a qualification, and an essential qualification, for the study of economic problems, cannot be an adequate substitute for that specialized and systematic study of them which constitutes the science of economics. It is easy to be familiar with a thing, and even to work with it, without understanding it. The locomotive engineer can do his work excellently without knowing anything of the science of thermo-dynamics, and most of us succeed in spending a lifetime with our bodies without acquiring any considerable knowledge of the science of human physiology; similarly a man may be a good business man and yet a bad economist. The experience which any one man, or even any one social class, gains of the economic system in the course of everyday life and work is limited. So far as it goes, it is a sound basis for economic judgments; but a thorough practical acquaintance with banking would not help a man much to understand the organization of a colliery, an intimate knowledge of the building trade would not fit a man to understand, either in their private or their social aspect, the operations of a cotton exchange broker. To find a secure basis for an understanding of the economic system it is necessary to bring together the experiences of all trades and occupations, of manual worker and industrial organizer, of private industry and government service, of housewife and producer; the experience of any individual or class is too

limited to give by itself anything but a limited and partial insight into the system as a whole.

Moreover, the understanding of a system that a man gains from the experience of being a part of it is more of the nature of instinct than knowledge. It enables a man to judge and act; it does not enable him to explain always how he judges and why he acts. If forced to give an explanation, the explanation may be a wrong one; copybook maxims about industry and early rising have a suspiciously large place in the explanations given by self-made men of their success; luck and a lack of scruple, though at least as important, are never mentioned. Thus the experience of people actually engaged in industry has to be subjected to their own reflection and studied from outside, to be *analysed*, before it can add anything to the body of knowledge which all may share who are willing to study; treated in that way it becomes the most valuable of all sources of knowledge.

LIMITATIONS OF EXPERIENCE

Individual experience is limited and unconscious; it has to be supplemented by economics for a more important reason. Its point of view is that of the individual, the point of economics is that of society. Every business transaction has more than one aspect. The individuals who are parties to it are interested chiefly in its private aspect; economics is concerned with its social aspect, which may be a different thing. From the point of view of the individual profits are the difference between his expenses and his receipts; from the point of view of society, they are the incentive to and the payment for organizing work; the individual is concerned only with their amount; society with their origin and the extent to which they elicit and represent services to society. Speculation, from the point of view of the individual, is the act of buying at one time and selling at another, and is justified if the selling price exceeds the buying price; from the point of

view of society it is the process by which fluctuating supplies are adjusted to a fluctuating demand, and is justified (or the reverse) by its influence on price fluctuations. To the individual it may make little difference whether he increases his profits by higher prices on a smaller output or by a large output at lower prices; society is keenly interested to learn under what circumstances the former method is likely to be adopted and under what circumstances the latter. There is the same difference between the two views as there is between the view of a town which a man gets from his street-door and the view he would get from an air-ship. No one, unfortunately, can lift himself into a position to take an "air-ship" view of society; so that the economist, and other students of society, have to construct their "air-ship" view of society by collecting, comparing and relating a large number of street-door views.

IMPORTANCE OF SOCIAL VIEWPOINT

Economics is the study of business in its social aspect, and the point of view is fundamental to the study. Business in its private aspect is so much a matter of personal character and accidental circumstances, that only a very small part of it can be reduced to rule or stated in systematic form. University courses and even degrees in "Commerce" can now be taken, but the study of economics, as defined above, can help the future business man only by making him more interested in business and therefore more likely to devote his undivided energies to it. From the point of view of society's interests, however, it is very desirable that business men should study economics, since it is to society's interest that they should reflect on and realize the social effects of their private actions. For the same reason that the private and the social aspects of business are so often different, a "government of business men"—if the phrase is intended to be understood in a narrow sense—would be a bad government. It would apply to the work of govern-

Thirty Years of World Business Cycles, Summarized by W. C. Mitchell

With Summary of 1919 and 1920 Conditions in the U. S.

THIS summary of business conditions in the United States, England, Germany and France from 1889 to 1918, was prepared by Dr. W. C. Mitchell, the well known authority on Business Cycles and his 1919 class in Business Cycles of the New School for Social Research, New York. A summary has been added to show conditions in the United States during 1919 and 1920. This general view of business cycles has peculiar interest for men of large responsibilities at this time.

Summary of Business Conditions in the United States, England, Germany and France, from 1889 to 1918

UNITED STATES	ENGLAND	GERMANY	FRANCE
1889. High tide of prosperity.	High tide of prosperity; stringent money market in autumn.	Prosperity; stringent money market in autumn.	Crisis in March; moderate liquidation.
1890. Money market stringent in summer; mild crisis in autumn.	Severe crisis in autumn; failure of Baring's.	Crisis in autumn.	Mild depression.
1891. Liquidation first half-year; revival second half-year on crop situation.	Financial prostration; no reduction of trade; poor harvests.	Liquidation; bad harvests.	Mild depression; bad harvests.
1892. General business prosperous; heavy gold exports.	Shrinkage of trade; poor crops and low prices.	Depression deeper.	Diminishing activity.
1893. Panic; acute in May to October.	Deep depression.	Deep depression.	Business languishing or stagnant.
1894. Deep depression.	Depression continued; price of consols rose.	Improvement toward close.	Revival on Bourse; inertia elsewhere.
1895. Revival in summer, followed by relapse.	Strong revival second half-year.	Revival continued.	Revival of commerce and industry; minor crisis on Bourse.
1896. Return of depression; panicky conditions in financial markets.	Trade revival maintained.	Industrial prosperity increased.	Moderate activity.
1897. First half dull; second half great improvement on crop situation.	Domestic business expanded; foreign trade stationary.	Prosperity of increased intensity.	Greater activity; bad harvests.
1898. Prosperity rising rapidly.	Improvement more rapid; real prosperity.	Brilliant year.	Mediocre year.
1899. High tide of prosperity in general business; difficulties on stock exchange.	High tide of prosperity; money market stringent in autumn.	"Annus mirabilis"; money market stringent in autumn.	Marked activity of trade and industry.
1900. Slight pause in activity, followed by outburst of speculation in autumn.	Crisis; mild recession of activity.	Crisis; bank failures in autumn.	Crisis; activity checked.
1901. Prosperity in general business; panic on stock exchange May 9.	Ebbing of activity continued.	Crisis more acute.	Further slackening of business.
1902. Prosperity continued.	Slight improvement.	Depression.	Little change; mild depression.
1903. Financial liquidation; "rich man's panic"; general business still active.	Disappointing year; business recovery very slow.	Slight improvement in latter part of year.	Distinct improvement.
1904. Mild industrial depression; financial liquidation ended; great stock-market speculation in autumn.	Depression continued till near end of year; more sanguine tone at close.	Improvement continued, but conditions uneven.	Revival continued.
1905. Rapid gain in prosperity.	Revival made rapid progress.	Revival made rapid progress.	Further progress.
1906. High tide of prosperity; money market stringent.	High tide of prosperity; money market stringent.	High tide of prosperity; money market stringent.	Full prosperity.

ment standards and tests derived from private industry that are not applicable to public service; it might forget that it often "pays" a government to run a public service (such as sanitation or education) "at a loss."

THE METHOD OF ECONOMICS

The study, then, of our subject matter, in which every one at some time or another engages, can be supplemented with advantage by the specialized and systematic study of it, which we call economics. The latter grows out of the former, the former is the best preparation for the latter. And the method of the unconscious and unsystematic study is the method, used deliberately and consciously, by which the systematic study reaches its conclusions. That method is—to reflect; to generalize on the basis of the known facts; in the light of the generalization to collect further facts with which to test it; and by this process of testing and by comparison with other generalizations reached by the same process, to reach a generalization which exactly fits the facts. By this method any one who is forced by circumstances to frame an answer to some economic problem brings his experience and casually accumulated knowledge to bear upon it; by this method economics seeks to reach and to state the principles of the present economic system.

Economic theory is the body of generalizations so reached. The practical man is suspicious of "theory." His suspicion is justified, if "theory" is used as a substitute for ascertained facts. But generalization, the making of theories, is unavoidable. Facts do not explain themselves. In some problems the causes of trade fluctuations, for example, the multitude of facts is so great that we cannot even begin to collect them unless we collect on some plan; we shall be overwhelmed if we do not take with us to the facts some coördinating idea; in other words, if we do not frame a theory and take it to the facts to test it by them. On some important questions we cannot hope to enumerate *all* the ascertainable facts; if we wait to form our judgment on the influences that fix wages until we have examined all the ascertainable facts we shall never form a judgment, their number is so great. On other problems some decision has to be reached for purposes of action, although facts are scarce or unobtainable; taxes are often based on theories which it has been impossible to verify, the collection of the taxes subsequently eliciting the facts that are

1907. Crisis, and severe panic in October to December.	Crisis, intensified by American panic.	Crisis, intensified by American panic.	Prosperity continued; crisis slightly felt.
1908. Deep depression in trade and industry; revival in finance.	Depression, especially in foreign trade; enormous offerings of new securities.	Marked depression, deeper in second half of year.	Check to activity.
1909. Recuperation, marked in second half-year.	Revival of activity.	Revival of activity.	Revival of activity.
1910. Return of depression in second half-year.	High tide of prosperity.	Prosperity increasing.	Reaction; disastrous year for farmers.
1911. Mild depression.	Continued prosperity.	Continued prosperity.	Partial recovery.
1912. Marked improvement; stock market felt reflex influence of Balkan war in October.	Prosperity continued; new records of activity; stock market affected by Balkan war.	High tide of prosperity; Bourse affected by Balkan war.	Industry and commerce active; Bourse affected by Balkan war.
1913. Return of depression, especially in second half of year.	Financial apprehensions, general business less active toward end.	Recession of activity; money and investment market tight.	Recession of activity; hoarding of capital.
1914. Depression first half-year; crisis on outbreak of war at end of July.	Expansion checked early in year; mild reaction developed when war precipitated crisis; wartime rise of prices began.	Mild depression, succeeded by crisis on outbreak of war; wartime rise of prices began.	Mild depression in first half; crisis on outbreak of war; wartime rise of prices began.
1915. Depression first half-year; revival second half on European orders, largely of war material; wartime rise of prices began in autumn.	Rapid rise of prices; financial business under rigid restriction; money never scarce despite huge Government loans; imports increased 23, exports declined 11 per cent; industry adjusting itself to war conditions.	Rapid adjustment to war conditions under Gov't supervision; rapid rise of prices continued; ordinary activities at standstill.	Adjustment to wartime conditions; Gov't control over industry; price-fixing; financial strong; rise of prices continued.
1916. Marked activity on huge foreign orders and brisk domestic demand; rise of prices continued.	Rise of prices continued; finance less and industry more rigidly controlled; "mobilization" of American securities; Gov't placed no great loan but depended on bills; value of imports and exports increased but tonnage of entrance and clearances declined heavily; labor scarce.	Control by Gov't more drastic; rise of prices continued; shortage of raw materials; note circulation four times that of 1913.	Rapid rise of prices continued; marked scarcity of labor, particularly in agriculture; labor trouble increasing.
1917. Declaration of War in April increased demands of production still further; price-fixing beginning in July, reduced price level.	Further extension of Gov't control over finance and industry; Gov't borrowed two billion pounds; further increase in values of foreign trade and decline in clearances; rise of prices continued.	Developments of 1916 continued; scarcity of commodities more serious; profits of industrialists and banks very high.	Rapid increase of war debt and bank note issue; rise of prices continued; scarcity of commodities; foreign trade decreasing.
1918. Organization for war made progress; profits probably less; prices rising slightly despite extension of Government control.	Industry, commerce and finance "in fetters"; scarcity of many commodities; reconstruction plans under consideration; value of imports increased, value of exports and tonnage of clearances declined; rise of prices continued; sensational bank amalgamations.	Production falling behind 1917 records; prices and wages continue to rise; corporations making large depreciation allowances; economic disorganization in autumn.	Credit situation improved by success of fourth war loan and renewal of Bank of France privilege; rise of prices continued.

Summary of Business Conditions in the United States, 1919 and 1920.

1919

Hesitancy on the part of business; resumption in early spring of buying by public; orgy of buying; rapid rise in prices, wholesale and retail, of nearly all commodities; keenly competitive demand for labor, capital and commodities; great increase of credit obligations, bank deposits, bank loans and Federal Reserve bank notes; speculation in securities and commodities; increasing export trade, overtaxing land and water transportation facilities; resulting great congestion of commodities and credit; in Japan, where speculation was even more rife than in America, conditions threatening at end of year; U. S. Federal Reserve Board warned that deflation was necessary.

1920

These warnings led banks to emphasize so-called essential loans; first sharp deflation took place in silk industry, precipitated by disastrous panic in Japan; uncertainty in other textile lines, spreading to other industries; orgy of cancellations and return of merchandise; falling off of exports; unprecedented drop in commodity prices; general depression characterizing close of year.

(Continued from preceding page)
needed to verify the theories.

THEORY AND PRACTICE

The practical man's objection to "theory" is a valuable protest against hasty generalization on an insufficient basis of fact or on an inadequate survey of available facts. But the opposition of "facts" and "theory" is a false one; their true relation is complementary. We cannot in practice consider a fact without relating it to other facts, and the relation is a theory. Facts by themselves are dumb; before they will tell us anything we have to arrange them, and the arrangement is a theory. Theory is simply the unavoidable arrangement and interpretation of facts, which gives us generalizations on which we can argue and act, in the place of a mass of disjointed particulars. What we are seeking in our study of economic problems, whether it is a conscious and systematic study or not, are principles. We want to know what, in the operations we observe, is the rule, what is the exception; why certain arrangements are as they are, and what will happen if we change them. Unrelated facts will not answer our questions; we want chains of facts, regularities, relations of cause and effect. We are seeking principles in order that we may act on them because the ultimate motive of economic study is not curiosity, but the necessity to act, and rational action must be based on some principle. All arguments are based on principles, facts are of use only as they represent or illustrate principles. Economics, therefore, in order to discover the principles on which the present system is constructed and operates, surveys the facts of the system, arranges them, analyzes them, generalizes on the basis of them. Like every other science it advances by constantly discarding generalizations which newly discovered facts have revealed as unsound or inadequate, and devising new generalizations which will cover and explain the new facts.

A. B. C.—The circulation of THE CREDIT MONTHLY is subject to audit by the Audit Bureau of Circulations.

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What Are the Railroads Doing?

To Give Service Adequate for Present and Future Demands

By Robert S. Binkerd

Assistant to the Chairman of the Association of Railway Executives

THIS article has been prepared in response to the request of the Transportation Committee of the National Association of Credit Men.

The Transportation Act of 1920 was devised to ensure to the people adequate railroad service.

At the time the roads were returned to the owning companies service was admittedly not adequate, and, according to accustomed standards the roads needed additional equipment and facilities to be in position to give at all times the service demanded.

What at this writing (the first week of November) have the railroads done to meet not only the service demands of the preceding months but also to provide for the future?

The record of the few months may be dismissed briefly. Beginning with a bad situation, the switchmen's strike of April and May multiplied the difficulties. Yet, as the months went by, owing to the wholehearted co-operation of both shippers and consignees, without which the results would have been unattainable, the railroads have made record after record, even a world's record, in service performed—and, be it noted, without an increase in equipment above what they had when taken over by the government) and equipment—due to the necessities of war control—far below the normal standard of repair.

These new records were in net ton miles, in miles per car per day, in the average tons per loaded car, in car loadings, in net tons per train (a world record) and, most significant of all as a measure of railroad service, in net ton miles per car per day. These records could not have been made without increases in actual operating efficiency and a general improvement of morale.

The situation in the first week of November was that car shortage had disappeared in all but a few limited sections, that the roads were able to handle business currently as it came.

THE FUTURE

But America does not stand still. What of the future? One of the purposes of the Transportation Act was to assure the roads the needed

equipment against future demands. What have the railroads done toward providing themselves with additional equipment and facilities, and why have they not bought more than they have up to this time? These are fair questions and deserve a fair answer.

And first, as to additional equipment, the railroad companies have ordered approximately 40,000 freight cars this year, and are attempting to make financial arrangements which will enable them to increase this sum total to about 60,000. Of these, some 15,000 will be refrigerator cars, there having been no net addition to this class of equipment for some years, and no refrigerator cars constructed at all during the entire twenty-six months of federal control.

The companies either have ordered or are making the financial arrangements to purchase approximately 1,500 additional locomotives and about 1,200 passenger cars. The total cost of this equipment is approximately as follows:

45,000 freight cars @ \$3,000 each, making \$135,000,000.

15,000 refrigerator cars @ \$4,500 each, making \$67,500,000.

1,500 locomotives @ \$70,000 each, making \$105,000,000.

1,200 passenger train cars @ \$35,000 each, making \$42,000,000.

Grand total, \$349,500,000.

In addition, the Pullman Company is building five hundred Pullman cars this year, none having been built during the period of federal control.

Second, as to additions and betterments to fixed property: Capital expenditures on fixed property this year have necessary been largely confined to those which would promote the movement of cars. It is impossible for the carriers, even if the present rate increase ultimately brings them a 6 per cent. return to go into a 7 to 8 per cent. money market and raise large sums of money for capital improvements. In addition, the congestion existing and developing at the time private operation was resumed made extensions for the purpose of producing additional traffic for the time being untenable and required that the traf-

fic already in existence and incapable of being moved should receive the first provision in facilities.

Accordingly, the expenditures made have generally looked toward the enlargement of round houses and engine terminal capacity, the increase of shops, machinery and tools for the repair of equipment, the extension of sidings, additional yard tracks, interlocking devices, automatic signals and heavier rail and ballast. In addition, a number of important carriers have been double-tracking, strengthening bridges, reducing grades, and other work necessary for the extension of the operation of heavier locomotives and larger capacity cars. Among the important projects under foot are the application of heavier power to the Chesapeake & Ohio Railway Company; the building of a double-track on the ruling grade of the Virginian, which will almost double its coal carrying capacity; three big freight yards on the New York, New Haven & Hartford; the elimination of a limiting tunnel on the Delaware & Hudson; the expansion of the Louisville & Jefferson Bridge; the building of a cut-off on the Kanawha & Michigan; flattening curves and reducing grades on the Norfolk Southern; the construction of a big grain elevator at Baltimore by the Pennsylvania Railroad; the enlargement of yard and engine facilities on the Texas & Pacific and the Wheeling & Lake Erie; and the extension of the coal pier of the Western Maryland at Baltimore. All told, it is estimated that the carriers are spending some \$300,000,000 upon such improvements, of which about \$70,000,000 is being financed by loans from the fund provided by Section 210 of the Transportation Act, and most of the remainder out of earnings.

RESTORING EFFICIENCY OF EXISTING FACILITIES

The physical condition of cars generally was much lower and the cars as a whole were less efficient at the end than at the beginning of federal control. While this arose from the necessities of the war, it has enforced unusual expenditures for repair work. When they were returned to the owning companies, an unusually large number of cars,

while safe to run in trains, were unfit, because of leaky roofs, leaky sides, missing doors and holes in floors, to carry the commodities which they were originally designed to carry. Some of the increased maintenance expenditure merely reflects higher wages but a considerable part of it represents outright increases in physical reparation to make good some of the deterioration of the war period.

FUTURE EXPANSION

The ability of the railroads to make up even the deferred maintenance of the war period is conditioned not alone upon the earnings, but upon the prices of labor and commodities, and upon the extent to which and the rapidity with which they realize the return contemplated by the present increase in rates.

When it comes, however, to genuine expansion of the railroad plant, that cannot be looked for in any large measure until there is something like a world-wide readjustment of the conditions of money and credit which would enable an industry with a 6 per cent. earning power to compete against other industries for large sums of money in the investment market. When that time comes, the railroads will undoubtedly make the largest possible use of it, but, until then, sound policy on their part was very well expressed by Interstate Commerce Commissioner Aitchison in his speech before the National Association of Railway and Utilities Commissioners at Washington on November 10. Commissioner Aitchison said:

"The present financial situation, coupled with the apparent downward trend of construction costs, makes it seem prudent not to engage upon any undue or avoidable construction program until conditions become more normal—"

While a great deal has already been done by the carriers the following general considerations, pointed out by one of the leading officials of the Pennsylvania System, should be taken into account:

"1. The railroads could certainly not be expected to expend the money until they receive it, and as the increased rates and fares only became effective the last of August (where they were not suspended on intrastate traffic) by the orders of State Commissions, the result was only partially felt in September, and the figures for October are not in all cases yet available; so that it can hardly be claimed that the railroads are in actual receipt of any great benefit as yet, nor could possibly have already expended any large amounts from that source.

"2. The Act provides for the next two years that rates shall be fixed by the Interstate Commerce Commission which will provide net earnings equal to 5½ per cent of the value of the property, which, generally speaking, was for the purpose

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of a return to the investor and an improvement in credit, and an additional one-half of 1 per cent of such property value to make provision in whole, or in part, for improvements, betterments, or equipment. From the figures so far obtainable, few railroads have realized from the increased rates and fares a return of 5½ per centum, much less the one-half of one per cent to be devoted to betterments; so that it cannot be at all clear to most managements that any large sums will be immediately available for expenditure.

"3. Taking the matter of equipment,—it would seem of doubtful wisdom to make a permanent investment at the present high costs and high rates of interest, involving as it must, a continued high charge to provide the necessary return. Expressing the idea in other words, a box car bought now for \$3,300.00 for 8 per cent money would require an earning of \$264.00 for interest alone, and would require much higher rates of freight to make such a return, than for the same car bought for \$2,500.00 at 5 per cent money, for which the interest charge would be \$125.00 per year.

"4. Last but not least, without decreasing the amount of material put into conditioning the property, it has seemed wise to utilize the stock on hand to the greatest possible extent. This the railroads have done, so that on November 1st there was practically no car shortage, and after the end of the switchmen's strike, new records were made in average loading, total loadings, average mileage per day of freight cars, and net ton miles per car day. This last named record rose from 487 in March to 557 in August, and is the most significant meas-

ure of railroad service which can be used. As a result of the foregoing, the roads are now able, with slight exceptions, to care for all business currently."

In conclusion, there can be no doubt that the managements of the railroads are fully alive to the necessity of "service to the public," and are putting their properties in the best possible shape to perform that service, but they must do so in a wise and careful manner, and without any particular advantage to any particular trade.

Competitive Drive for New Members

Seattle.—At the Seattle association's Ladies' Night there were 400 members with their ladies present.

As the best preparations for the possible coming of the 1921 convention to the Pacific Coast, the association is organizing a drive for a larger membership. Two teams of 375 men each have been formed, subdivided into seventy-five smaller teams of ten men each. There are two generals and eight colonels, in addition to seventy-five captains, which makes eighty-five men who are willing to give of their best time to get other members to come to the meetings. So far as possible, each captain and those under him are in close proximity, so that the captain will have the least possible difficulty in following up his men and will be able to do personal work with them.

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Worldwide Deflation Continues

WHOLESALE prices throughout the world are still declining. Some of the decreases for October and November were the greatest on record. The table herewith, taken from the Monthly Review of Business Conditions, published by the Federal Reserve Bank of New York, shows the percentages of decrease for the last available months and the total decrease from the peak. Prices in Italy alone of the nine countries represented in the table show an upward tendency.

Bradstreet's index number of the average

prices on December 1 shows a still more remarkable decrease, a decrease of 13 per cent for November and of almost 35 per cent from the year's high level. Raw materials bulk large among commodities which make up Bradstreet's index number. For this reason Bradstreet's index number, though not so satisfactory a reflection of general wholesale prices, is peculiarly sensitive to the downward movement and is a good forecast of the movement of commodities that represent manufactured articles.

Wholesale Price Indices

Country.	Latest Available.	Preceding.	Per Cent. Change	Highest.	Per Cent. Decline from Highest.
United States					
Bureau of Labor.....	225 (October)	242 (September)	-7.0	272 (May Av.)	17.3
Index of N. Y. Fed. Res. Bank (12 basic commodities).....	75.1 (November 22)	79.2 (November 15)	-5.2	112.9 (May 17)	33.5
Dun's	187.9 (November 1)	196.3 (October 1)	-4.3	217.8 (May 1)	13.7
Bradstreet's	170.2 (November 1)	183.6 (October 1)	-7.3	226.6 (February 1)	24.9
British					
Economist	266.4 (November 1)	283.9 (October 1)	-6.2	310.1 (March 31)	14.1
Statist	282 (October)	292 (September)	-3.4	313 (April)	9.9
French	503 (October)	526 (September)	-4.4	584 (April)	13.9
Italian	665 (October)	660 (September)	+7.6	679 (April)	2.1
Japanese	230 (September)	235 (August)	-2.1	321 (March)	28.3
Canadian	234 (October)	241 (September)	-2.9	263 (May)	11.0
Swedish	346 (October)	362 (September)	-4.4	369 (January 1919)	6.2
Australian	230 (September)	236 (August)	-2.5	236 (August)	2.5
Calcutta	206 (October)	208 (September)	-9.6	218 (January)	5.5

A Creditors' Meeting



"MR. STRONG ARM CALLS A MEETING OF HIS CREDITORS"

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Investments

Bond Prices will Advance. Brown Bros. & Co., N. Y., says that the "history of bond prices indicates that whenever there is a decline or a tendency toward a decline in money rates and commodity prices following a long period of industrial expansion there is an advance in the prices of fixed interest bearing securities."

Changing short for long maturities. Wm. A. Read & Co. recommend that corporations and individual investors at this time look over their lists of securities with a view towards exchanging some of the "short term investments for others having a longer maturity and purchasable at prices to yield a comparatively high rate over a term of years."

How to classify yourself. "If you want to know whether you are destined to be a success or not, you can easily find out," said James J. Hill as quoted in a publication of the American Exchange National Bank, N. Y. "The test is simple and is infallible. Are you able to save money? If not, drop out. You will lose. You may think not, but you will lose as sure as fate, for the seed of success is not in you."

Buy bonds now. "Now is the time for alert, careful investors to pass the bag containing industrial stocks over to the speculator," says Dr. Charles W. Gerstenberg, head of the Financial Department of New York University, in "100%", the Efficiency Magazine for December. "Let the speculator perform his economic function of holding the bag during the shrinkage. Now is the time to buy bonds."

The word thrift. "The word thrift," says Dr. John H. Finley, in the Savings Banks Monthly Journal, "in its original sense may denote a selfish motive. The Scandinavian term from which the word is derived indicates a (grasping for one's self). With us, however, quite another turn has been given to its use which has come with the development of social responsibilities in our community life. The use of the term to denote even savings is quite obsolete. It now carries the idea of good management, constructive frugality or its results, indicating prosperity and success that have been attained through economy and industry."

Yield. A reader of The Credit Monthly asks the exact meaning of the world yield as found in the bond offering circulars of investment bankers. Blodgett & Co. answers this question for The Credit Monthly as follows:

If a 5% bond that matures in four years is offered for sale at 90 it is "offered to yield 11.85%." This figure is arrived at by taking into consideration (1) the "stock yield" or "current return," which in this example is 4.35%, being a \$50. coupon return annually on an \$800. investment; (2) the difference between the \$800. invested and the \$1,000. received at maturity, which difference is divided equally over the four year period; and (3) the assumed reinvestment of each interest payment at the same rate that the bond itself bears.

Bond buyers nowadays frequently want to know the "current return" of a bond offered them as well as the "bond yield" or "yield at maturity."

Bank With Collection Department

THROUGH the courtesy of The Brownell Corporation of Sioux Falls, S. D., the National Association of Credit Men received copy of a letter issued by the City National Bank of Huron, S. D., inviting the use of the services of the bank in making collections at Huron.

In this letter the bank states that it maintains an efficient collection department and is also willing to give such information as it can to inquiring concerns.

The Brownell Corporation felt that this communication indicated a different attitude from that of most banks. It states that the logical collector of a bad account is the bank in the town in which a customer lives; that a great many accounts are lost because jobbers have found it necessary to force collection. But the case would have been different had the collection been handled through the customer's own bank.

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Executives of large businesses (see representative list on this page) have realized that they can no longer depend on hit-or-miss, maybe-you've-seen-it-and-maybe-you-haven't methods of securing and adopting the ideas scattered here and there through a thousand different publications. Today these men are using

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BRANCH BANKS ABROAD, THEIR PURPOSES AND FUNCTIONS. Geo. E. Roberts, Vice-President, National City Bank of New York. Article in December 4th issue of "Export Trade and Exporters' Review," New York, T. W. Ashwell, Editor.

Frank O'Malley of the National City Bank, says Mr. Roberts, has prepared what is perhaps the most concise statement of the services rendered by American branch banks in foreign countries. This statement, which appears in the National City Bank's book, "Our South American Trade and Its Financing," is as follows:

1. The collection of drafts drawn upon foreign houses.
2. The protection of the interests of American merchants through the control of "To Order" shipments until payment or acceptance by foreign purchaser of the corresponding draft.
3. The protest of drafts where drawer so instructs.
4. The securing of legal services in foreign countries through our own foreign attorneys.
5. The creation of foreign markets for dollar exchange.
6. The collection of credit data on foreign houses, and the continued study of foreign market and credit conditions, reports on which are constantly forwarded to New York for the information of our American clients.
7. The forwarding, to our branch banks, of credit information upon firms represented by American travelers, thus enabling these representatives to refer foreign merchants to our branches for credit information concerning their principles.
8. The collection of trade data covering the possibilities in foreign countries of American manufacturers and products of every description.
9. The study of foreign market conditions covering commodities produced in the foreign market for export.
10. Upon request, letters of introduction and letters of credit are issued from our New York office to our foreign branch correspondent banks, placing at the disposition of our American clients or their representatives the varied facilities of our foreign offices and connections.
11. Branch banks, through coming directly into contact with the trade and financial problems arising in both the export and import field, assist materially through the publicity attending the results of special study of such matters.
12. The assistance rendered in the development of American foreign commerce, both import and export, through the direct banking facilities afforded both at home and abroad and in general through the bringing about of a far better commercial understanding between this and foreign countries.

BUSINESS CONDITIONS, DECEMBER, 1920. American Eagle Fire, The Continental, Fidelity-Phoenix Fire Insurance Companies, New York. 96 pp.

This monthly publication covers, in compact form, business conditions under the headings, Political, Crops, Commercial, Money, Railroads, Labor and Markets.

THE CREDIT MEN. From leading editorial, The Macon Daily Telegraph, December 8, 1920. W. T. Anderson, Editor.

"The credit man is a deserving mortal, entitled to our tears and our well-wishing

smiles. His is a difficult task, a weighty responsibility and a sometimes pathetic undertaking. All sorts of rain fall in his life, all kinds of humans knock at his door. He encounters insolence and indignation, and sometimes woe and despair. His affairs concern the hut and the mansion, the corporation and the infant business concern. He must know the law of the land as well as understand human nature, and be skilled in the exercise of judgment.

"Among the matters that will be discussed by the credit men are the insolvent debtor, underlying causes of sharp fluctuations in prices and their relation to credit conditions, the importance of skillful credit work in commerce and the qualities needed for skillful credit management, character as a credit risk, the Federal Reserve System and taxation. Such leaders as Joseph A. McCord, Oscar S. Kulman, Perry G. Wall, Herbert E. Choate, J. T. McGehee, Morris Michael, L. J. Larzelere, John Phinizy and Shelby R. Smith will expound the doctrines and rules of the credit business from an advanced standpoint.

"Credit forces are the stabilizers of a community. They enable the farmer and merchant to realize on his future and thereby develop the present and make of the future a much better affair than it would otherwise have been. At this particular moment the country is looking to the credit forces to support it, in passing through a temporary depression. The credit men are called on to shoulder responsibilities of a serious nature. Upon their decision and action depends much. They must proceed judiciously and with whatever liberality they can afford to extend. Their concern is to see that the people tide over; this done, the normal state of affairs should not be long in returning."

[CREDITS EXTENDED BY THE U. S. AND BY GREAT BRITAIN.] The Mechanics & Metals National Bank of New York. November, 1920.

It is estimated in this monthly review that the probable minimum net amount of our credits extended to the outside world must be \$13,000,000,000. Translated into dollars at the normal parity of about \$4.87, English estimates give \$14,610,000,000, as the probable amount of the foreign credits of Great Britain.

CROSS CURRENTS IN (RAILROAD) EQUIPMENT SITUATION. From Market Letter. Hayden, Stone & Co. Nov. 26, 1920.

"It seems like an obvious argument that if business recedes the motive of the roads to buy new equipment will be less compelling. On the other hand, railroad equipment buying, except for a brief interlude of arbitrary government purchasing has been sub-normal for several years. It has been sub-normal during all of 1920. It is not new equipment buying but repair work which has made 1920 so satisfactory a year for equipment producers.

"Railroads have had a very bitter and costly experience with insufficient and poorly maintained rolling stock and motive power during the past three years.

"It seems probable, therefore, that if a decline in general business creates a money market capable of sustaining a good volume of railroad financing we shall witness a large output of railroad securities during 1921. And obviously

a considerable percentage of this new money would go for equipment."

EUROPE AT THE CROSSROADS. Paul M. Warburg. An address given by Mr. Warburg upon his return from a study of conditions in Europe. 1920.

Mr. Warburg gives a graphic picture of the situation of Western Europe today. He says the recuperation of Europe and of the world is dependent upon the satisfactory disposal of the indemnity question, for only after its disposal will production get up full steam and exchanges in prices go down to old or new levels. "Europe is at the crossroads of her destiny, and the decision whether she will sink or rise lies largely in the hands of France. In contemplating the present plight of France and Germany, I am led to compare poor France, with her devastated regions, to a man maimed in the war, showing the stump of a limb shot to pieces in the struggle. Germany, on the other hand, economically ruined, may be likened to a man infected to the core with tuberculosis, hopelessly doomed to death unless the disease is arrested, but, to the casual observer, showing no outward signs of the dread malady. Can the poor French invalid expect to regain his strength by a transfusion of blood from so wretched a body? There are those in France who take the moderate and wise view that, if Europe and her present form of social order and civilization is to survive, countries must cease to carry on a war after peace, that they must stand together in removing the wreckage and in trying to salvage what still can be saved. Such men are at one with England and Italy in wishing the indemnity question settled promptly and on a reasonable basis. As against this school of thought, there are the 'bitter enders,' who partly from hatred engendered by the war and partly from fear—both easily understood—say that Germany must be so loaded down with debts and deprived of her coal to such a degree that she can not recuperate. This would imply the reduction of a 60,000,000 people to 40,000,000 by 'peaceful penetration,' which is a polite expression for starvation, the ravages of disease and wholesale emigration. The manifest objection to such a course is that a country so completely ruined would be a bad debtor for France to have. Furthermore, social upheavals in Germany might prove contagious."

In the discussion of prices Mr. Warburg pays high tribute to the deflation policy inaugurated in this country. "To have been the first to arrest this crazy and destructive rise of prices before it took still graver forms, is a real contribution on the part of the United States for which the world owes us a debt of gratitude, even though our farmers and producers may find it hard to reconcile themselves to that view. I think we are most fortunate at this time to have a Secretary of the Treasury and a Governor of the Federal Reserve Board who are courageous and conscientious enough to disregard the political point of view and to hold to the course that clearly is best for the country, even though it may be unpopular and subject them to bitter and unfair attacks."

His closing paragraph sums up at once his hopes and fears with regard to Europe: "Exchanges cannot be rehabilitated by the magic touch of large loans. It is the degree of productivity of a country and its fiscal policy that will ultimately determine the level on which prices and foreign exchanges may become stabilized. Increased productivity and a stern fiscal policy cannot thrive, however, except where there is peace, where there is hope, and a willingness to respect law and order. A constructive peace between estranged nations and classes must be our

first goal. As we succeed in reaching it, and I firmly believe we still can, the financial and economic problems will solve themselves one by one. If we miss this aim, if the rudder slips from constructive hands, no one can tell how far into uncharted seas our craft may drift."

THE EVILS OF CONTRACT REPUDIATION.

Article in Straus Investors Magazine, November, 1920. Excerpts.

"In too many instances the buyer seems to take the point of view that the seller guarantees him a profit; and if the market conditions change and the public refuses to buy he simply cancels his order or, in other words, repudiates his contract because its fulfillment will not be profitable to himself.

"It is stated that this situation is not only prevalent in the United States but exists all over the world as one of the legacies of war conditions. We are told that France has never yet succeeded in getting business on a solid contract basis since the long war moratorium. In England the evil is also rife and drastic remedies have been instituted in some lines of trade. For instance, it is reported that a Lace Exporters' Association in England has ruled that no member of the association may accept the cancellation of orders without specific permission from a committee appointed to investigate all such cases. Should a customer decline to accept goods ordered from one member of the association, he will be put on a black list by all other members of the association until he has complied with his contract. It is stated that other trades in Great Britain are considering similar action.

"Every broken agreement represents a definite loss in credit and reputation, which may well be larger than any loss sustained by fulfilling a disadvantageous contract. The man whose word cannot be relied upon will not, in the end, succeed in business."

FEDERAL ESTATE TAX LAW AND REGULATIONS.

Equitable Trust Co. of N. Y. 1920. 214 pp.

A twelve-page detailed index adds special usefulness to this volume, which contains, (1) the complete text of the Estate Tax Law, Title IV of the Revenue Act of 1918, (2) Regulations 37 Revised, (3) photographic reproductions of the forms used and (4) other supplementary information.

OUR CREDIT DEPARTMENT.

Article by W. R. Stevens, in The Hercules Mixer, November, 1920.

In order that the various departments of the company as well as its customers may understand the functions of the credit department of the Hercules Powder Co., W. R. Stevens is contributing a series of articles describing his department in the company's monthly publication, The Hercules Mixer. Mr. Stevens describes among other things how he controls the credit work throughout the various district offices of the company.

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Modern Merchant and Grocery World. Philadelphia. Elton J. Buckley, Editor.

This influential weekly, ably edited for retail grocers, prints on its cover the following exhortation which might well be used in other retail trades: "If you have some high priced stuff on hand that you're worrying over, lest you shouldn't be able to sell it, you will find that all the worry will go if you do sell it—sell it at once for the best price you can get. Knowing what the loss is, and having it behind you, is a heap better than nervous anticipation."

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THE CREDIT MONTHLY

[PAINT MEN USE CREDIT INTERCHANGE BUREAUS]. Report of the Committee on Credits and Collections, George C. Morton, Chairman, Oliver Box, E. F. Beale, T. F. Monypenny. Paint, Oil and Chemical Review, October 27. 650 words.

"We are pleased to report that about fifty per cent. of our members are making use of the Credit Interchange Bureau service in various paint club cities under auspices of National Association of Credit Men. A Credit Interchange Bureau is now in operation in New York City with forty-nine New York club members participating in its services. In another paint club city every wholesale house is enrolled as a member of the Credit Interchange Bureau and all report that the service is very satisfactory. These various bureaus throughout the United States now exchange references with each other. The service is constantly broadening and as the membership increases will be of still greater value to the entire trade."

RETAIL ORGANIZATION AND ACCOUNTING CONTROL. Phillip I. Carthage. D. Appleton & Co., N. Y. 362 pp.

Adding to their long list of books on various phases of business, the house of Appleton issues this complete manual for the accounting organization and control of retail business. The volume includes a detailed study of Turnover, accompanied by statistics from successfully managed retail stores. It also gives fifty-eight actual forms used in the retail business and is supplied with a convenient index.

A STUDY OF PRICES. Edmund D. Fisher, Vice-Pres., Bank of Detroit. 16 pp.

The conclusion of this scholarly address delivered at the fifth annual Michigan State Conference of Credit Men, on a subject suggested by the Conference, Detroit Board of Commerce, November 23rd, 1920, is as follows: "An orderly decline in prices is largely dependent upon the attitude of the credit men and the credit grantors of the country. An analysis of credit statements during the period of deflation will undoubtedly many times show a status of depreciated inventories and limited liquid assets. Forced liquidation, however, would tend to a disorderly decline and abnormally low prices. While a consistent reduction in prices is desirable, it is quite undesirable to have a greater reduction than is logical for a proper relation to the basic economic conditions. For stability, we must have full employment, continuity of spending power, and reasonable prices. The credit man, therefore, must, when possible, permit the element of time and the principle of helpfulness to cure some of the business difficulties brought to his attention."

"A knowledge of the principles of prices is most important in credit granting, as the movements of prices, as has been pointed out, directly affect credit conditions. The inventory is usually the most important factor in the commercial statement, and a radical change in value may mean much added wealth or ultimate insolvency. A most important factor to remember in a period of deflation is that while the value of the inventory may shrink and the surplus be reduced, the cause which brings this about—the decline in prices—is also increasing the value of each individual dollar. What is apparently a reduced surplus may and probably will indicate a greater wealth than the swollen surplus that previously floated on the froth of the tossing waves of inflation."

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SUCCESS FUNDAMENTALS. Orison Swett Marden. Thomas Y. Crowell Co. 316 pp.

This latest of the "Marden Inspirational Books" is full of horse-sense preaching on Dr. Marden's favorite subject, success. In his chapter on "The Law of Opulence," he says that a learned scientist gave a friend the chrysalis of a rare butterfly, but cautioned him against disturbing it in its development. The friend, overcome by curiosity, began to make pin-pricks in the shell in order to hasten the escape of the grub. "Soon after, the gorgeous butterfly which had been described to him by his friend emerged, fluttered into the air, and then dropped, never to fly again. Several times it tried to rise on its wings, but all it could do was to crawl about on the earth. The scientist told his friend that by assisting it to get out of the cocoon he had deprived the butterfly of the very struggle which it needed to gain the strength for its wings necessary to support it in flying. The result of helping the beautiful creature spelled its ruin. That self-help which is as necessary to the development of a man as to that of a butterfly is one of the supreme blessings of humanity. It is the great unfolder of ability, of character, the only thing that continually calls into play man's best qualities,—those qualities that make human giants. Thousands of sons of rich men have been dwarfed and made helpless by the same thing that ruined the gorgeous butterfly."

A TEXT BOOK ON FILING. James N. McCord, Director of N. Y. School of Filing. D. Appleton & Co. 180 pp.

The filing system of an office—in other words its digestive system—is increasingly recognized as a matter of primary importance. If it goes wrong, the health of the enterprise is menaced. There is need of reliable information concerning filing; and such information is especially valuable if it is free from the bias which influences the salesman of office equipment in favor of the devices manufactured by the company which he represents. Something has been contributed to this field by Mr. McCord in his book, although it must be admitted this little book is rather elementary. It is intended primarily for a text book in the school conducted by Mr. McCord to teach office workers how to file. Only here and there will the man experienced in filing gather a novel idea. But as a reference or instruction book, it is of value; and we know of no other book which gives so clear and comprehensive a survey of the subject as a whole. The first half of the book is devoted to general topics such as alphabetic methods, numeric filing, geographic methods, and subject and decimal methods. The latter half considers filing in particular lines of business such as law, insurance, real estate, banking, and manufacturing. The book contains many illustrations, showing tab systems, and reproducing cards for particular purposes.

TRANSPORTATION ACT OF 1920. Guaranty Trust Co. of N. Y. 112 pp.

The Transportation Act of 1920, by which the Government returned the railroads to their owners, introduced by Senator Cummins of Iowa and Representative Esch of Wisconsin, is said by Darwin P. Kingsley, president of the N. Y. Life Insurance Co., to be "one of the greatest pieces of constructive legislation that the Congress of the United States ever enacted." The pamphlet contains a general summary and the text of the Transportation Act, 1920, fully indexed, and a brief review of prior laws pertaining to Federal regulation.

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Common Sense in Tax Rulings

It is a Mistake to Raise a Tax by Its Bootstraps

By S. C. Walsh

Chief of Tax Staff, Prentice-Hall, Inc.,
Formerly Chief Examiner of Claims, Internal Revenue Bureau

THE Bureau of Internal Revenue has just issued a ruling relating to inventories which is of vital interest to every concern handling merchandise, whether as manufacturers, wholesalers, importers, or dealers.

To understand the effect of the ruling one must know something of its background. The present Revenue Act gave taxpayers filing returns for 1918, or, where the first return was filed for 1919, the return for the latter year, a choice between two methods of taking inventories: (1) on the basis of cost; (2) on the basis of cost or market value, whichever is lower. After making a choice for 1918 or for 1919, if that was the first return, the chosen method had to be followed for subsequent years.

Now, in 1919, when the 1918 returns were filed, the cost was lower than the market almost universally, as market prices were climbing higher every day. Consequently, whether they chose the basis of cost, or the basis of cost or market, whichever is lower, their inventories for 1918 would have been computed at cost anyway. It happened in a great many instances that taxpayers stated that they had chosen the basis of cost, thinking that, since it made no difference which basis they chose, they would take what seemed to be the simpler method.

During 1920, however, market values have fallen far below cost in a great many lines. In such cases, a computation of inventories on the basis of cost would show greatly inflated paper profits, on which the taxpayer would be required to pay a tax.

The actual profits can be shown only on the basis of market value. But, under the regulations, those taxpayers who chose the cost basis for 1918 returns cannot take market values into account for any subsequent year. In many businesses a very serious condition was created.

Now the Committee of Review and Appeal, speaking for the Bureau of Internal Revenue, comes forward and says in effect:

"If at the end of 1918 or 1919

the market values of your goods was as a matter of fact higher than your cost and, therefore, you would have reported your inventories at cost whether you had chosen the basis of cost or the basis of cost or market whichever is lower, you may now have a new choice between the two methods and you may compute your inventories for 1920 on the basis you now adopt, regardless of your previous choice."

Having chosen a method of reporting inventories for 1918, a taxpayer is required to secure permission to make a change, and it does not appear from the ruling that the requirement is waived. The point is that formerly there was very little chance of such permission being granted while now, wherever the taxpayer can show that market values in his business were higher than cost in 1918 or 1919, he has a very good chance to receive permission. It would also appear that if the taxpayer applies for permission to change the method and does not receive notice of approval of his application, or where the time is too short for him to make application, he may use whatever method he desires and explain in the return that he is changing the method on the strength of the Committee's ruling and requests that the change be approved.

The experience of the last two years, with their wide and rapid change in prices and values, has demonstrated very clearly the importance of the method of reporting inventories in its effect upon the income and profits taxes and it is advisable for every concern to make a careful study of the question in relation to its own peculiar conditions.

MARKET VALUE NOT DEFINITE

In making a choice between the two methods of reporting inventories and also, where the basis of cost or market value whichever is lower is adopted, the taxpayer should bear in mind that market value is not a fixed, definite thing. The regulations define market value as being "the current bid price prevailing at the date of the inventory for the particular merchandise."

But not only may it be difficult to determine the current bid price prevailing at a given time, it may often happen that there are two distinct "prices" at the same time. At the beginning of 1920 the general condition was that the demand exceeded the supply; at the close of the year it is an equally general condition that the supply exceeds the demand. In other words, the sellers' market has become a buyers' market. But, while either the sellers or the buyers may dominate the market at any particular time, there are always both a selling market and a buying market and, therefore, from the standpoint of any particular taxpayer, there are always both a selling market value and a buying market value. The selling market value is the price which the taxpayer can obtain for it by sale. The buying market value is the price for which the taxpayer can replace the article. No general rule can be laid down as to which market value should be used. It depends to a great extent upon the article being inventoried.

For instance, in the case of a manufacturer who carries both raw materials and finished products in his inventory, he will generally use the buying market value for the raw materials and the selling market value for the finished products. In those cases where it is possible to do so, the tax payer should use the buying market value, since the selling market value, including, as it generally does, an element of profit, is likely to be appreciably higher.

The ruling on inventories is significant not only in itself but even more so as an indication of a new attitude on the part of the Bureau. Formerly, the Bureau compelled taxpayers to adhere strictly to the general rules laid down in the regulations, no matter how unjust or how unfortunate the application of those rules might be in the case of a particular taxpayer or even in the case of business in general where it was subjected to conditions which were not foreseen at the time those rules were formulated. The Advisory Tax Board, however, initiated the wise policy, which has been

(Continued on page 43)

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A Convention Message

A great convention makes a fitting climax for a year of association achievements and gives promise of another year of progress.

It means much to the president of such an association as ours to be able to greet a large and enthusiastic convention, and I write thus early because our convention for June, 1921, is likely to be held in San Francisco, and it will mean for most busy credit men a little more time and preparation than usual to get ready for the trip. I want to urge upon local associations and members that even at this early date they lay their plans to be better represented than ever before.

We plan to make the convention the greatest educational event in our history, and give opportunity for an exchange of views and experiences that will give every delegate a new equipment for his work, make him better able to direct the credit policies of his house, and help business come safely through the readjustment period.

The fact that most of us must journey far is an advantage at this time, for we need especially now to know just what are the conditions in every section of the country. This knowledge we get best by traveling over the country and talking with the men who are in the midst of the intense activities of each section.

I again urge upon all our members to give thought at once to the unusual opportunities to be offered by our 1921 convention.

W. F. H. KOELSCH, President,
National Association of Credit Men.

Credit Interchange Now of Vital Importance

E. B. MORAN, Manager of the Central Credit Interchange Bureau, in a strong letter to the local bureau managers, points out that in this period when commercial credit is under the strain of sweeping liquidation, when collections are slow and unsatisfactory and business disasters numerous, it is of the highest importance that credits be scrutinized more carefully and with greater shrewdness than ever.

Common Sense in Tax Rulings

(Continued from page 41)

followed by the Committee of Review and Appeal, in those matters in which the Bureau was granted powers of discretion, of modifying the regulations, or other administrative provisions, to suit unusual cases or unusual conditions which Congress obviously was aware could not be covered by detailed statutory provisions and, therefore, left to the Bureau to handle in a manner which would be most equitable both to the government and the taxpayer. Evidently, the Bureau has determined to use its powers in manifold fashion. In short, it is being generally recognized that a tax cannot be raised by its bootstraps; the lever of common sense and equity must be applied.

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The Situation Today

Described in Address, December 15, to
Providence Association of Credit Men

By *W. F. H. Koelsch*

President, National Association of Credit Men
President, New Netherland Bank of New York

WE need to be steadied at a time like this. Not very long ago we were heard boasting of our incomparable strength, and boundless resources; we said we would lead in the new order of things. Doubtless the rest of the world took us at our word.

Surely we were all moved to admiration for the splendid optimism of Lloyd George, who, in the face of the many burdens and trials of an empire, sent his people the message, "Things are coming right!"

There are many reasons for optimism. As soon as the people are satisfied that prices have reached bottom, business will start up again. No gong sounded when we reached the top; no bell will ring when we hit bottom.

When the general public went on a buying strike, there began an accumulation of buying power, and when they reach a point where they begin to buy again, as begin they must, consumption should quickly exceed production, and the wheels of commerce begin to grind again.

Despite the gloom, there are indications that we are not going to have soup kitchens this winter. There are not a few of us who believe with Judge Gary that we are facing the period of our greatest prosperity in the very near future.

The belief prevails in well informed circles that the money situation will be improved around the first of the year. The turn for the better may come much sooner than any of us expect, and the credit man must do his share to restore confidence.

Confronted with many trials and struggling with new and complex problems the credit seekers need support and a helping hand in a time like this. It will not suffice to repeat to them that if they had done this or had not done that they would have easier sailing now. The well-meaning merchant needs the good will of his creditor when collections are tardy even more than in easy

times. More errors are made in granting credit too freely when the "going is good," than when times are more difficult.

Business will go on, and those who are capable will keep the wheels going. Our people have a habit of insisting upon being fed, clothed and sheltered, whether costs go up or down. And there will be something left over to exchange for entertainment and luxuries.

This is a time for business men of clear vision, who not only talk service, but who give it. Under the leadership of such men, business that serves legitimate requirements persistently and consistently will not cease to exist.

There will be rough spots encountered, but let us remember that fundamentally American business is sound, and all along the line let us foster a spirit of helpfulness rather than hostility when our customers find themselves in a bad fix. And by all means in our own Association let us continue the spirit of harmony and cooperation to the end that we may live up to the motto: "Everything to help—nothing to hinder."

Undistributed Earnings Tax

THE Committee on Federal Taxation of the National Association of Credit Men has just issued a booklet on "The Undistributed Earnings Tax," a plan to tax the current year's earnings of corporations not distributed. This tax, which is proposed as a substitute for the Excess Profits Tax, is receiving the indorsement of a constantly increasing number of students of taxation. The booklet goes into exhaustive detail giving the reasons for substituting such a tax and showing in detail its operation. Two other taxes are discussed in the book, the Excess Profits Tax and the Sales Tax.

A Readable Course in Economics

"And they have made the correspondence course in Economics **readable**," continued the Treasurer of the A. B. C. Company.

"Impossible!" exclaimed the Vice-President in charge of the credits of the X. Y. Z. Corporation. "Economics is a dismal science, and it **can't** be made readable."

"It may be impossible, but they have done it," persisted the Treasurer. "In the first place, the National Institute of Credit of the National Association of Credit Men has an Advisory Board composed of men who understand how to get their ideas over. On the Board for instance, is Tregoe, Secretary of the National Association of Credit Men, an economist and a born teacher—a man who has built up the Association into the great educational force that it is today.

"These men are not high-brows, cut off from active business, dealing with impractical, dry-as-dust theories. They are a group of live ones; they themselves are solving business problems every day. They know the necessity for study and the kind of stuff that a credit grantor needs and can absorb."

FOUND A READABLE WRITER

"Did they quit their jobs and write this course in Economics?" asked the Vice-President.

"They did better than that. They made a thorough search, with the assistance of Dr. Whyte, director of the National Institute of Credit, one of the widest awake young Ph.Ds I know, for the best man in the

United States to prepare the course. They found in the Economics Department of Columbia University exactly the man they were looking for—Associate Professor Eugene A. Agger, Ph.D. This Agger is not only widely known and respected as an economist, but

"Don't tell me **you** can understand what he writes!" the Vice-President cut in sarcastically.

"I can; and, what's more, I believe **you** can, which is saying a whole lot more!" replied the Treasurer with a grin.

"Then Agger put together a course that is a model of readableness and usefulness. I'm taking the course myself and I'm certainly getting a lot out of it.

"We use Clay's 'Economics for the General Reader' as a text book,—it is supplied to each student,—and with each lecture we get two or three reading assignments and problems."

"Does the National Institute of Credit mark your answers when you send them in?" asked the Vice-President.

THE PERSONAL TOUCH

"Yes, and they do it thoroughly: There seems to be a personal interest in each student. It is the same kind of interest they show in each man taking their 'Credits and Collections' course, which I finished last year."

"Well, I suppose it's a good thing, but I'm too darned busy to study Economics in these times."

"You are studying every day," said the Treasurer. "You study the statistics you buy, the bulletins of the banks, The Credit Monthly, the financial, labor, crop and commercial dope in the daily papers, you study the news from Washington, the reports of your branch office managers, your trade papers,

the letters from your creditors,—**you're always studying.**

"The only things you don't study are the fundamental principles of economics. And yet they underlie the whole mass of facts and currents and fears and hopes that you are dealing with. A knowledge of these principles pulls the whole seething mass together, coordinates and clarifies it."

REALLY BIG BUSINESS MEN

"Do you suppose for a minute the really big men in business get stampeded when there is a depression? Not much! They know beforehand just what the trend will be in certain given circumstances. They take the necessary steps. They don't get excited; they do the right thing, and do it early; and when the storm is over their companies and they themselves have usually profited rather than lost by what has happened."

"What does the National Institute of Credit charge for the Economics course?" asked the Vice-President.

"Oh, about one per cent. of what it is worth. Now you write and get the full information about the course. And remember, you're not paying dividends to anyone: The National Association of Credit Men is 'a corporation organized not for profit,'" concluded the Treasurer.

"Yes, I know," said the Vice-President, taking out his fountain pen and reaching for The Credit Monthly containing a full-page coupon advertisement of the Course in Economics. As he filled out the coupon, his friend heard him murmur to himself,

"Heaven knows — the credit grantor—nowadays—needs all—the help—he—can—get!"

National Association of Credit Men,
41 Park Row, New York

Without obligation on my part, you may send me information on the N. I. C. Correspondence Course in Economics.

(Please print name)

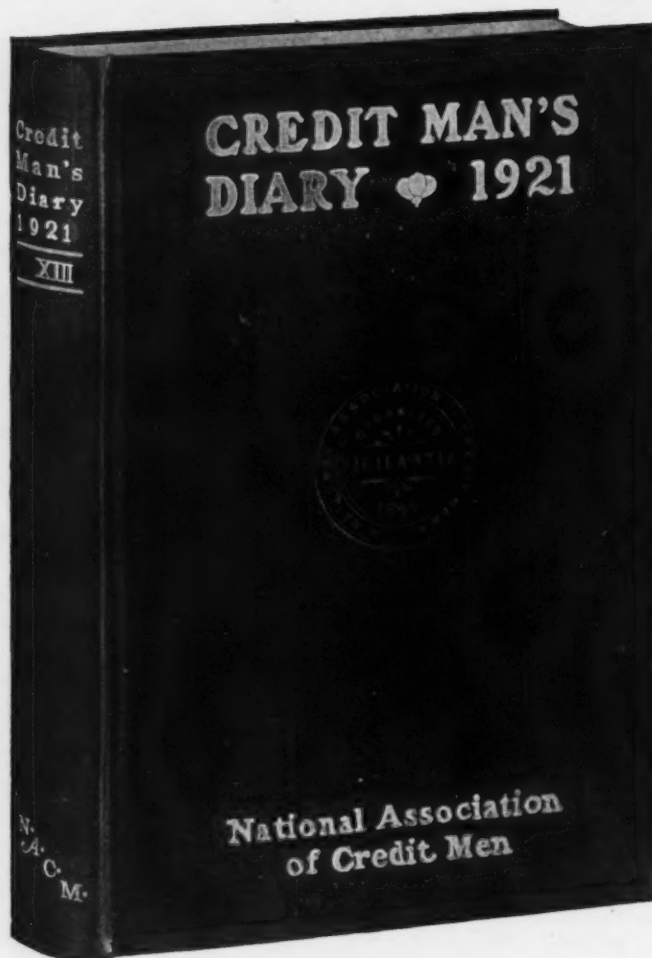
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